

Moslems say sea access agreed

By Gillian Tett

BOSNIAN Moslem leaders yesterday said that they had reached an agreement with Croat leaders on the crucial question of access to the sea for the Bosnian Moslem republic, potentially clearing one of the main obstacles to a broader peace deal.

Speaking in Zagreb, Mr Haris Silajdic, Bosnian foreign minister, said that the dispute over access to the Adriatic had been resolved during secret talks between Croat, Serb and Bosnian Moslem leaders on a British naval vessel in the Adriatic on Monday.

But in an apparent blow to a rapid agreement, Bosnia's Moslem President Alija Izetbegovic said: "We are closer to a solution than at any time in the history of the negotiations."

Yesterday said he could not recommend acceptance of the latest peace plan to end the republic's 17-month war.

"I personally am not inclined towards that proposal," he said in Sarajevo.

The Bosnian parliament is due to meet next Monday to consider accepting the peace



plan, which would create a loose "union" of three ethnic mini-states.

Mr Thorvald Stoltenberg, international mediator, yesterday said although negotiators had been forced to cancel their plans to hold a signing ceremony in Sarajevo yesterday, "we are closer to a solution than at any time in the history of the negotiations."

According to Mr John Mills, the mediators' spokesman, the latest peace proposals would give the Bosnian state a port on the River Neretva near the village of Celjevo, joined by an additional corridor to the Moslem state, and a 99-year lease on a facility on the

Croatian port of Ploce.

Although the Moslems have repeatedly demanded that the village of Neum should be their port, on the grounds that this was the sea outlet for the former Bosnian republic, the Croat leadership have resisted this, arguing that Moslem control over Neum would leave the Croat port of Dubrovnik dangerously isolated.

But, after a Franco-German scientific delegation confirmed Neum would be ill-suited for a deep water port, pressure mounted on Mr Izetbegovic to accept an alternative solution.

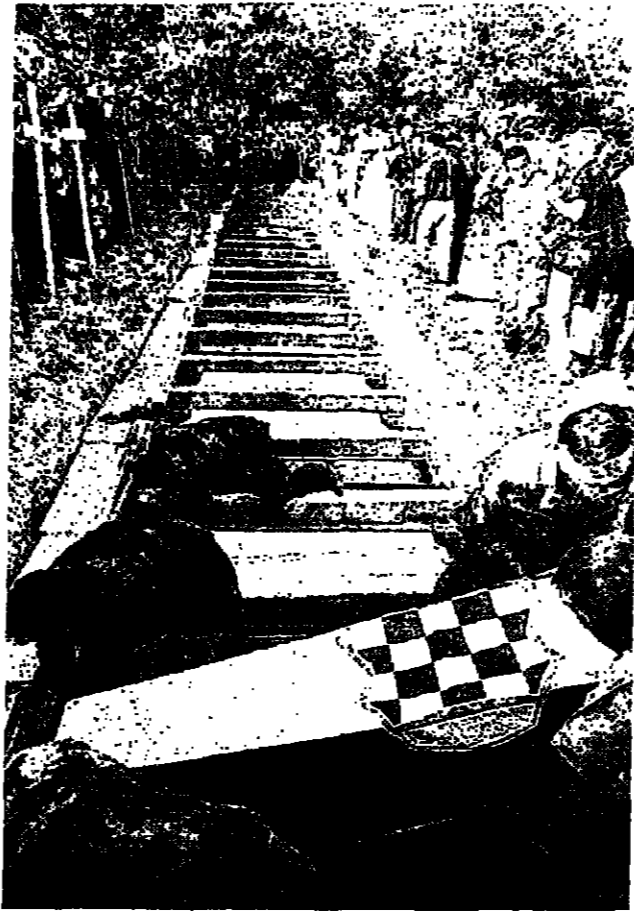
Meanwhile, heavy fighting was yesterday reported to be continuing in central Bosnia, in defiance of the latest ceasefire accord. Moslem troops were reported to be advancing on Croat-held areas in the central Bosnian town of Vitez, and on Mostar, further south.

And in a grim omen for the coming winter, ten people were yesterday reported to have died of starvation in the central Bosnian town of Zenica, where some 150,000 Moslems have been increasingly isolated by recent fighting between Moslem and Croat forces.

Mr Ray Wilkinson, of the UN High Commissioner for Refugees in Sarajevo said fighting between Moslem and Croat forces had left the UNHCR able to deliver only 13 per cent of estimated food needs to Zenica's population.

Ski resort bristles with Serb menace

Laura Silber visits a Bosnian stronghold



Victims of last week's massacre in the Bosnian Croat village of Uzdo, blamed on Bosnian army police, are buried in Prozor.

THE people of Pale in Bosnia can tell you how Serbs and Moslems lived alongside each other in peace before war began in April last year. They remember those times, but now they speak the language of war - of military victory and of their contempt for their Moslem adversaries.

Pale, the Serb mountain stronghold just 10 miles above the besieged Bosnian capital of Sarajevo, was once a prosperous ski resort, hosting the 1984 Winter Olympics. Now it is overrun with soldiers and refugees, and is the makeshift headquarters of the self-styled Bosnian Serb state.

Every home is surrounded by stacks of wood in preparation for the harsh Bosnian winter, as townspeople tend their gardens. Flocks of sheep wander through the village streets crowded with men in khaki uniforms.

Serb artillery guns are positioned just outside the town nestled in picturesque mountain peaks dotted with wooden chalets and fields filled with livestock.

said 40-year-old Mrs Biljana Rajic, a hairdresser, showing no trace of regret as she speaks of her former countrymen.

Many of the townspeople show impatience and contempt for their Moslem adversaries. They blame the Moslems for the 18 months of destruction and war. They name Mr Alija Izetbegovic, Bosnia's president, as the main obstacle to peace.

A Bosnian Serb soldier, Marko Subotic, remained defiant: "We are not going to make new territorial concessions that Izetbegovic is seeking. He is only trying to stop the peace process by demanding access to the Adriatic or more land."

Some accuse Mr Izetbegovic of orchestrating revenge against their new Serb state. Mr Ljubomir Klacar, a 58-year-old labourer, said: "They want access to the sea only to smuggle in weapons."

Serb nationalists in Pale yesterday warned that the Moslems faced total military defeat if they rejected the proposed tripartite division of Bosnia into ethnic mini-states. Mr Izetbegovic, they said, would have to endorse the plan put forward by international media-

tors or lose everything. Mr Bozidar Kostovic, a former trade clerk turned fighter, said: "Serbs have already ceded 20 per cent [of Bosnia]. The Moslems hold 10 per cent but are refusing to agree to the plan which gives them 30 per cent."

"A solution will be reached only when the Moslems lose what they hold now. Then they will talk."

Even after the cancellation of yesterday's meeting in Sarajevo to sign an agreement on Bosnia's division, Mr Slavisa Rakovic, senior adviser to the Bosnian Serb state, remained optimistic the plan would soon be endorsed.

Although he admitted the partition might unleash a further exodus of refugees, Mr Rakovic said: "If there is a successful settlement here, I don't see any possibility of the war spreading."

Although he called Mr Izetbegovic the main "loser", he dismissed Bosnian objections that, under the peace plan, their landlocked republic would be doomed, wedged between hostile Serb and Croat states.

Poor prospects seen for incomes in east Europe

By Gillian Tett

IT will take 35 years for eastern European incomes to reach even half the level of average western incomes under current predictions for economic growth, Mr John Flemming, the chief economist at the European Bank for Reconstruction and Development, said yesterday.

His sober prediction came as the EBRD issued its annual economic outlook, which examines the pace of economic reform in eastern Europe, four years after the collapse of the Berlin Wall.

With the economic fortunes of east European countries varying enormously, the bank refrains from proscribing a single solution for transition to market economies.

But with all east European countries experiencing a contraction in their economies in the past three years, ranging from a fall in GDP of 19.4 per cent in Georgia to 3.1 per cent in Belarus, the report warns that overall recovery may be slower than previously hoped.

Although most economists agree that growth will resume in 1994, predictions vary wildly, Mr Flemming said.

Ukraine, which some economists believe will see its GDP

collapse by a further 10 per cent next year, represents the gloomy end of the spectrum. More optimistically, the Czech Republic, Poland and Hungary are predicted to have growth rates of around 4 per cent.

But since the economies of the OECD countries are forecast to grow by 2 per cent, even a 4 per cent growth in eastern Europe will not allow the region to catch up with western Europe for many decades, Mr Flemming added.

"What is needed to close the gap is the growth we have seen in the Pacific rim," said Mr Flemming, citing China's economic growth rate of 10 per cent, "but no one is predicting that type of growth in eastern Europe."

Little fall is predicted in inflation levels, which run from the low "teens" in the "success stories" such as Poland to 1,000 per cent in Russia.

As a result, the report suggests the punitively high levels of effective marginal labour and capital tax rates create "dismal prospects for private investment... that have not been widely appreciated."

The Annual Economic Outlook from The EBRD Economic Review, One Exchange Square, London, EC2A 2EH.

Poland may get left-of-centre government

By Anthony Robinson and Christopher Bobinski in Warsaw

THE prospect of a left-of-centre coalition government in Poland increased yesterday after the Democratic Union (UD), the mainstream Solidarity party, said it would not join a coalition with either of the two victorious parties with their roots in the communist past.

The UD leadership said it was the duty of the two parties that won the election, the Left Democratic Alliance (SLD) and the Polish Peasants party (PSL), to form a government. "These parties have aroused social expectations which cannot be fulfilled, and we don't intend to join such a government," it said.

In response Mr Alexander Kwasniewski, the SLD leader, giving his first post-victory press conference, yesterday concluded: "This means we will have to start talks with the PSL and the Union of Labour [UP] on the possibility of forming a coalition with them."

The UP, led by Mr Ryszard Bugaj, won 7 per cent of the votes and around 42 seats, and although left-wing on many social issues, is deeply anti-communist and unlikely to agree to an alliance which includes the SLD.

The SLD, with over 20 per cent of the vote and around 173

seats, and the PSL with over 15 per cent of the vote and around 130 seats, together command a "constitutional majority" of over two-thirds of the 460 seats in the Polish Sejm, the lower house of parliament.

This not only gives them the opportunity to govern in coalition with each other, but also gives them the power to dictate the terms of the new constitution needed to replace the present interim "Mala Konstytucja", or small constitution.

One of the issues to be decided is the future division of powers between the elected president and the parliament. Mr Kwasniewski denied yesterday that the SLD intended immediately to cut powers enjoyed by President Lech Walasa or his term in office, which runs until autumn 1995.

But he made clear the SLD would press for a future constitutional model in which the president plays a less active political role, stepping in only when needed as an arbiter. But he added: "The constitutional question will have to be the subject of a broad-based debate in and outside parliament."

Asked about what he had to say to foreign investors Mr Kwasniewski replied, in English, "Don't worry. Foreign investment is essential if the economy is to be revitalised," adding that the SLD in government would press the EC for a timetable for Polish entry.

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Muted welcome for interest rate cut

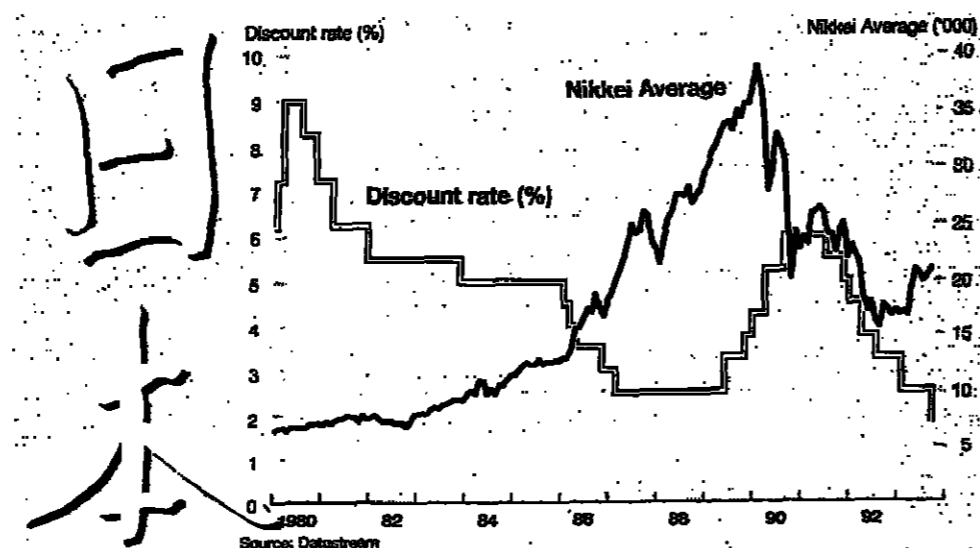
By William Dawkins in Tokyo

JAPANESE business leaders gave a muted welcome to yesterday's three-quarter percentage point cut in official interest rates.

The cut, the seventh since early 1991, brings the Bank of Japan's official discount rate from 2.5 per cent to a new low of 1.75 per cent, a quarter of a point below what the markets had been expecting. It follows last week's ¥6,150bn (£38.7bn) package of government spending.

Mr Yasushi Mieno, central bank governor, said he saw no sign of a recovery in domestic demand, but the rate cut should help return the economy to a "non-inflationary sustainable growth track". Senior industrialists welcomed the cut but doubted whether it would be enough to revive the economy and repeated calls for income tax cuts.

The coalition government is divided on income tax reductions, which are being studied by an official panel as part of a general reform of the tax system. The administration plans to consider a fiscal stimulus



only if the economy remains stagnant by the end of the year.

The Keidanren, the economic federation and leading mouthpiece for the business community, would evaluate the rate cut, said Mr Gaiichi Hiraiwa, its chairman. The move showed the bank realised the economy was in a worse state than it at first thought, he said.

Mr Takeshi Nagano, chairman of the Nikkeiren employers' organisation, said he was unsatisfied with the size of the cut; there was room for more. The Japan Automobile Manufacturers' Association agreed: it warned that an interest rate cut alone was not enough to stave off fears of a double-dip recession.

Officials from the steel, electrical machinery and precision instrument industries added that they could only increase capital investment if they government took steps to stimulate personal consumption.

Household spending fell for the third month running in July, because of cool weather and a decrease in summer bonuses, said the Management and Co-ordination Agency.

Average July spending was, in real terms, 2.3 per cent below the same month in the previous year.

The only significant private sector welcome for the rate cut came from the Zenginkyo bankers' federation, whose chairman, Mr Tadashi Okuda, said it should have a great psychological effect.

Analysts doubted that the cut would have a big impact on borrowing costs, since rates on three-month certificates of deposit, at which commercial banks lend to each other, have already fallen since early August.

The Bank of Japan is expected to try to nudge market rates down again to encourage a drop in the prime rate, on which commercial banks base their lending to business. "At least this takes monetary policy off the plate for the next six months. It means that taxes will now be the focus of interest," said Mr Robert Feldman, chief economist at Salomon Brothers Asia.

Share and bond prices rose slightly as a result of the move, with the Nikkei index up 200.62 points to 20,466.55.

Major stresses Asian priority for Britain

Kevin Brown on Britain's role as 'best friend'

AS MR John Major moved on yesterday from Japan to Malaysia, it was clear that the focus in the UK over his leadership has been an important shift of emphasis in British relations with Asia.

The UK prime minister went out of his way during the trip to stress the government's determination "to give Asia a new place in our national priorities," and even spoke of a "special relationship" with Japan - a phrase historically associated with the US.

"Until the 1980s," Mr Major said at a dinner with Mr Morihiro Hosokawa, Japan's prime minister, "we in Britain were frightened of your surging economic might." Now, he said, the old barriers were down.

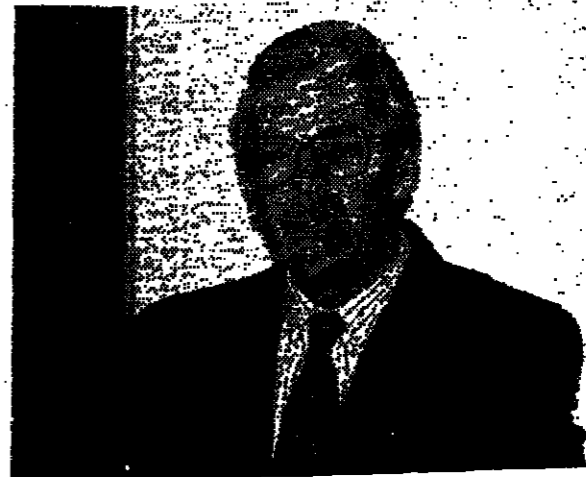
At times, Mr Major's enthusiasm for things Japanese exceeded that of his hosts. He suggested, for example, that Japan could become a permanent member of an expanded United Nations Security Council as soon as it wished.

The suggestion reflected Britain's increasing sympathy for Japanese international aspirations. Perhaps it was not Mr Major's fault that it was delivered at the very time that Japan is tuning down its campaign for security council membership because of domestic opposition by pacifists.

Nevertheless, Mr Major made his point. In case anyone should misunderstand, the message was rammed home by the highest-powered business delegation ever to leave British shores - including senior executives of a dozen leading companies such as GEC, British Telecom, British Gas, Rolls-Royce and Cable & Wireless.

Part of the presentation problem faced by the British party was that there were no attention-grabbing contracts to be announced, in contrast to Mr Major's last such trip, to India. Nevertheless, the trade element of the visit was judged more of a success than the much larger trade mission to Japan led last year by then US President George Bush, which was widely regarded as too large and overly aggressive.

For example, Rolls-Royce, which powers most of Japan's maritime self-defence force, said the trip had provided a



John Major speaking at a Tokyo trade symposium yesterday

useful opportunity to lobby for an order worth up to £1.2bn over 20 years to supply engines for Japan Air Lines' new fleet of Boeing 777 aircraft.

There were also signs of movement on improved access to the Japanese market for Britain's insurance, financial services and legal sectors. Guinness, the drinks group, said it hoped the trip would increase pressure on Japan to honour its Gatt commitment to equalise excise duties on domestic and imported spirits.

The Japanese were pleased, too, by the British party's enthusiasm for inward investment and the prime minister's rejection of managed trade as a solution to the 25m trade gap between the two countries. Mr Major's message that multilateral trade is "good for everyone" was welcomed by Japan, as was his trenchant criticism of Washington's position on sectoral trading targets in US-Japan framework talks taking place in Hawaii.

Mr Major was also given private assurances by Mr Hosokawa that Japan will seek to assist completion of the Uruguay round of Gatt negotiations in spite of the domestic political difficulties in liberalising its closed rice market.

The friendly tone of the talks reflects in part the ideological compatibility of the British government and its six-week-old Japanese counterpart on issues such as deregulation, which both have made a policy priority.

Underpinning the mutual warmth is an increasingly

close economic relationship, which has more than doubled two-way trade from less than £5bn in 1984 to £9.7bn last year.

However, the key element in the relationship is Japan's growing direct investment in the UK, which amounts to 40 per cent of such investment in the European Community. Mr Major made clear to the Japanese that Britain has none of the reservations about inward investment which have created tensions between Tokyo and Washington. Indeed, he lavished praise on the Japanese car factories in Britain, which he said had "changed the way we work".

Mr Major did not say so, but businessmen and officials travelling with his party left little doubt Britain's objective is to cement its position as Japan's "best friend" in the Community - a role that Tokyo appears content for London to play.

Mr Major left open the details of how Britain's putative closer relationship with the rest of Asia will work, limiting himself to an offer to use British security council membership, military expertise and "experience of conflict resolution" to assist Asian friends. Fittingly, however, for the leaders of a country emerging from a serious recession, Mr Major's objectives appear to be largely trade-related.

"Already in the Asia-Pacific, Britain is the largest European investor, the largest European exporter of invisibles, and the second largest European exporter of goods. We shall do better," he said.

Japan to ask US to curb budget deficit

By William Dawkins

MR MORIHIRO HOSOKAWA, Japan's prime minister, plans to ask the US to curb its budget deficit and improve industrial competitiveness when he meets President Bill Clinton next Monday.

He told parliament in a policy speech yesterday: "Our country will strive to achieve non-inflationary economic growth based on domestic demand and improve access to its markets. At the same time, [Japan] will ask the US to curb its budget deficit and boost its international competitive edge."

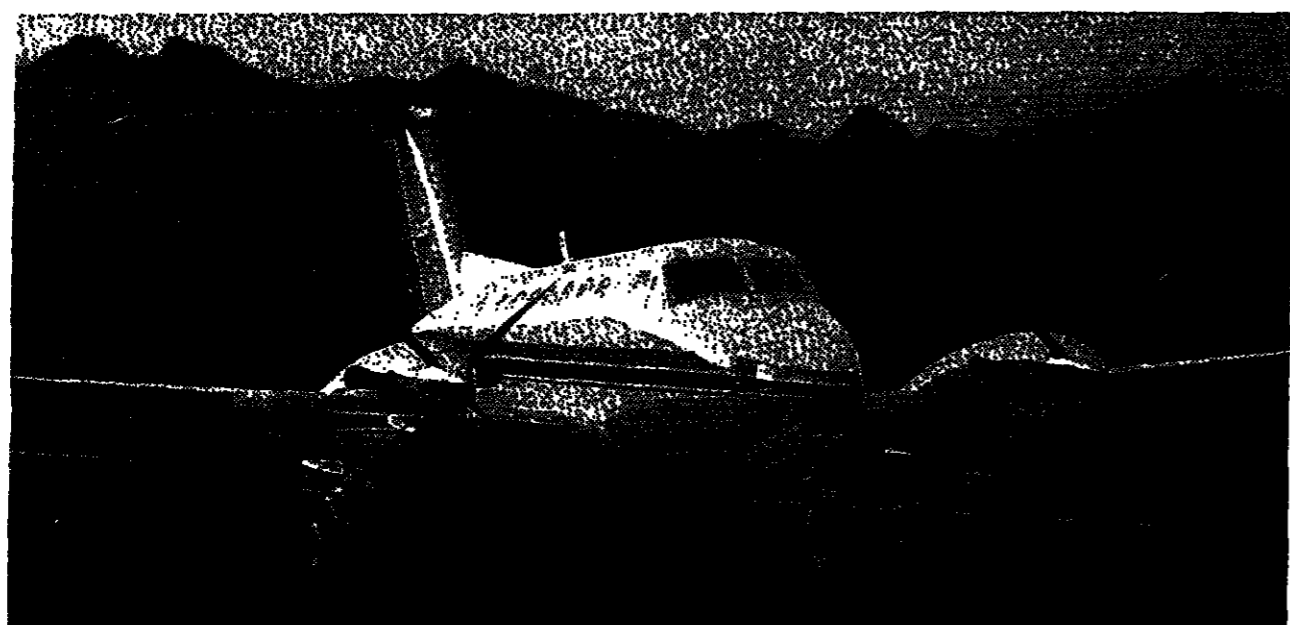
Mr Hosokawa will meet the US president for their first summit after addressing the United Nations general assembly in New York. This will be scrutinised closely by the Japanese public as the first test of the new prime minister's statesmanship and his ability to stand up to the US.

Relations between Washington and Tokyo are becoming sensitive again as they enter the second week of talks on trade and economic co-operation, clouded by a fresh spate of scandals over alleged bid-rigging in Japan's construction industry.

His speech, Mr Hosokawa's second policy statement in the Diet, the lower house of parliament, was designed to set the tone for a 90-day special session to debate political reform due to end on December 15. He repeated his pledge to push through plans to reform the corruption-prone political system by the end of the year and to pursue plans to reform Japan's administration and deregulate the economy.

He used the occasion to underline the wider importance of political reform to Japan's place in the world. "Japan has been beset with the scandal of political corruption virtually every year and the spectacle of the Diet in a frenzy trying to deal with these scandals has not only exacerbated distrust of politics but even threatens to undermine Japan's international credibility."

On deregulation, he argued it was vital to pass on benefits of Japan's economic power to ordinary people. Mr Hosokawa expressed the highest respect for those who worked single-mindedly since the end of the war to achieve economic and industrial growth.



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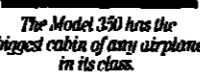
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UK finds success in Malaysia

TEN YEARS ago Dr Mahathir Mohamad, Malaysia's prime minister, piqued at what he perceived to be British high-handedness on issues ranging from trade matters to increased fees for Malaysian students studying in Britain, instituted a "Buy British Last" policy.

When Mr Major, the UK prime minister, meets Malaysia's leaders today during his official visit to the country he will find attitudes very much changed.

Malaysia is now one of the success stories in Britain's overseas trade and investment drive. Aside from the mainly transshipment traffic through Singapore, Malaysia is Britain's biggest export market in the South-East Asia region.

Britain's exports to Malaysia have nearly trebled in value in the last five years, reaching £636m last year. In the first three months of this year Britain became the leading foreign investor in Malaysia, putting £122m into a variety of projects.

Malaysia's exports to Britain have also been growing strongly, reaching £1.1bn last year. Its economy has been growing at more than 8 per cent in each of the last five years. The country is industrialising fast.

Malaysia's exports to Britain

are no longer confined, as in the old colonial days, to the more traditional goods, such as rubber and tin. The manufacturing sector is now leading the country's export drive. Up to April 1993, Proton, the Malaysian car manufacturer, had exported nearly 57,000 of its cars to Britain, where it has

craft and two frigates. British officials calculate civil projects have been worth another £1bn in British exports.

But bigger prizes are still to be won. Power projects. To keep pace with expected economic growth, Malaysia's power output, now about 5,000MW, needs

to grow five times over the next 25 years. The government calculates that in the next 10 years alone M\$40bn (£10.3bn) needs investing in the power sector.

To alleviate the financial burden, Malaysia is encouraging private sector participation in its power industry. A multi-million-pound independent power producer (IPP) project involving a British company is expected to be announced during Mr Major's visit.

National Power, the British electricity company, recently withdrew from an IPP project because of contractual differences with the local company involved. However other UK companies such as John Brown, British Gas, Rolls Royce/NET and the National Grid continue to win substantial amounts of business.

● A new international airport outside Kuala Lumpur is scheduled for completion before the city hosts the Commonwealth Games in 1998. An Anglo-Japanese consortium which includes GEC, Gammon and Balfour Beatty (BB) is also

contractor in a £360m hydroelectric scheme in peninsular Malaysia is hoping for a large share of the work in the 22m airport project.

However, Malaysia is pressing for substantial concessionary finance from Britain.

It has also signalled it wants other trade-offs - such as more British landing rights for Malaysia Airlines, the national carrier.

● Other infrastructure sectors in which British companies are pursuing business include upgrading Malaysia's railway network, developing ports, building private hospitals, and work in the country's rapidly expanding telecommunications sector.

Both Shell and BP are involved in petrochemicals projects, while North West Water is finalising negotiations on its 25 per cent stake in a £1.5bn project to privatise the country's sewerage system.

As elsewhere, Britain faces tough competition in winning contracts ahead of Japan and, more recently, Germany and France.

Kieran Cooke in Kuala Lumpur on the background to Major's visit

become a popular low-priced model.

The improvement in British-Malaysian trade was in large part due to the close relationship through the 1980s between Dr Mahathir and Mrs Margaret Thatcher.

Dr Mahathir espouses many of the beliefs - and an amount of the leadership style - of the former British prime minister. Mrs Thatcher, on a private visit to Kuala Lumpur this month, received red carpet treatment and, in return, was effusive in her praise for Dr Mahathir.

The big breakthrough for Britain in Malaysia came in 1983 with the signing of a memorandum of understanding on defence. Since then Britain has made £1.3bn of defence sales to Malaysia, including 28 Hawk trainer air-

craft and two frigates. British officials calculate civil projects have been worth another £1bn in British exports.

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3. THE TENDER DOCUMENTS are to be submitted to the PROCUREMENT COMMISSION, at BACE, at the address stated in item 2, in sealed envelopes by 15:00pm, London time, of 25th October 1993.
4. The International Invitation for Tender and the awards resulting therefrom will be governed by the Brazilian Law No. 8,666 of 21.06.93.
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Rabin faces MPs' vote of confidence

By Julian Ozanne in Jerusalem

MR Yitzhak Rabin, Israel's prime minister, yesterday turned a parliamentary debate on the historic Israeli-Palestinian peace accord into a vote of confidence in his government.

Facing desertion by a ultra-orthodox religious coalition partner which is demanding a referendum on the peace accord, he sought to rally parliamentary support at the opening of a stormy two-day debate. A vote on the agreement is due tonight and is expected to give Mr Rabin a wafer-thin majority.

"After 100 years of violence and terror, after wars and suffering there is today a great prospect for a new chapter in the history of the state of Israel," Mr Rabin told parliamentarians in a speech constantly interrupted by heckling. "I call on you to give us a chance to exploit this great opportunity. Let the sun rise."

Mr Benjamin Netanyahu, leader of the opposition Likud party, said the prime minister had thrown away the security of Israelis and called for new elections. Demonstrators opposed to the peace agreement gathered outside the Knesset (parliament).

Mr Rabin can count on at least a 61-59 majority but such a narrow victory might force the government to accept popular demands for a referendum. However, this was rejected by Mr Shimon Peres, foreign minister, who said: "I feel more comfortable with 61 and leaving peace than with 59 and losing peace."

Mr Netanyahu said the agreement had built a Lebanon in the heart of Israel and tied the hands of the army.

Judaism and Catholicism edged towards peaceful relations yesterday after 2,000 years of religious persecution and theological conflict. The move came at a meeting in Castel Gandolfo, Italy yesterday between Pope John Paul and Rabbi Yisrael Meir Lau, Israel's chief rabbi of the Ashkenazi (European) Jewish community. Rabbi Lau said after the meeting - the first between a chief rabbi and a Pope since the creation of the Jewish state in 1948 - that the pontiff had said Jews were his "elder brethren" and that the "time is approaching" for a papal visit to Jerusalem - holy to Jews, Christians and Moslems. Israeli and Vatican officials said they were close to reaching an agreement on establishing diplomatic relations.



Prime Minister Yitzhak Rabin (right) yawns as he and Foreign Minister Shimon Peres listen to opposition speakers yesterday

New constitution for Cambodia

CAMBODIA'S parliament yesterday adopted a new democratic constitution, signalling the imminent end of the \$2bn (£1.2bn) United Nations peacekeeping mandate in the country and the return to the throne of Prince Norodom Sihanouk.

The 70-year-old Prince Sihanouk is expected to fly to Cambodia from his home in Beijing tomorrow to promulgate the constitution. He will become king for the first time since he abdicated to enter politics in 1955, and will then appoint the leaders of the new government.

"This is a great success for the Cambodian people and the international community," said Prince Ranariddh, Prince Sihanouk's son, after the parliament voted by 113 to five, with two abstentions, in favour of the constitution.

Prince Ranariddh's royalist party Funcinpec won the largest number of seats in parliament in the UN-organised elections in May, and he will be the senior of two prime ministers in the new government.

Many Cambodians, however, remain apprehensive about the future after more than two decades of civil war. Not all of them are happy to see the soldiers and officials of the UN Transitional Authority in Cambodia (Untac) packing their bags ahead of the departure of the last UN contingents in mid-November.

As the constitution was being debated last week, Cambodian human rights activists, western diplomats and Untac officials expressed concern about whether human rights in general and the rights of racial minorities in particular would in practice be safeguarded, and whether it would be possible to create an independent judiciary. Untac is holding four

mer CPP prime minister, has agreed to be junior prime minister under Prince Ranariddh in the new government.

But CPP hardliners, who are powerful in the provinces and the security services, are unhappy about their loss of influence since the election. Under the old CPP one-party government, there was little distinction between the prop-

erty of the state and the property of the party. The Finance Ministry, under Mr Sam Rainsy of Funcinpec, is taking an inventory of all public assets.

The government's lack of control has been undermined by a rash of armed robberies to seize equipment from Untac and foreign aid organisations. Untac has lost 170 cars so far, and some have been found in the possession of Cambodian army and police officers.

Such lawlessness may spread: Untac, after three months of payments costing \$13m, will now stop funding the salaries of some 140,000 soldiers and police.

Meanwhile, Cambodia is expected to reach agreement with the International Monetary Fund for a \$5m short-term loan to help the transformation from a communist to a market economy, and with the World Bank for a further \$6m, the finance minister said. Multilateral and bilateral lenders and donors have pledged a total of \$1bn in aid to Cambodia since mid-1992.

Victor Mallet on the move which signals the departure of the UN

prisoners accused of murder and torture and the interim government has so far refused to take them over and put them on trial.

There are also fears that Prince Sihanouk will be unable to resist involvement in politics, although he is supposed to be a figurehead according to the constitutional monarchy adopted yesterday, and although he says he may have prostate cancer.

Another concern is that Funcinpec and the Cambodian People's party (CPP), the former ruling communist party installed by Vietnam in 1979, will find it difficult to remain in a coalition government.

The interim coalition appears to be working fairly smoothly at the ministerial level in the capital Phnom Penh, and Mr Hun Sen, the for-

mer CPP prime minister, has agreed to be junior prime minister under Prince Ranariddh in the new government.

But CPP hardliners, who are powerful in the provinces and the security services, are unhappy about their loss of influence since the election. Under the old CPP one-party government, there was little distinction between the prop-

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\$7bn-\$12bn bill for Gaza, West Bank

By Frances Williams in Geneva

BETWEEN \$7bn and \$12bn will be needed in external resources over the next 10 years to rehabilitate the economies of the Gaza Strip and the West Bank, according to preliminary estimates by the United Nations Conference on Trade and Development.

Among the priority needs of the area identified by Untac are immediate action to revive activity in the Gaza Strip, where half the workforce is unemployed, as well as extensive investment in infrastructure, health and education, an overhaul of the tax and finance

systems and establishment of an efficient and effective public administration.

Untac's estimates of the cost of reviving the Palestinian economy, in a report yesterday to its executive board, range from \$3bn to \$7bn for Gaza alone, depending on how many Palestinians might return to the area, and another \$4bn to \$6bn for the West Bank.

This is far more than World Bank estimates of at least \$3bn over 10 years for both areas combined.

The US has called an international conference early next month on financial help for Gaza and the West Bank.

NEWS IN BRIEF

Olympic revenue to increase to \$2.5bn

TOTAL REVENUES to the Olympic movement, from the sale of television rights and sponsorships, were \$1.9bn (£1.23bn) in 1988-92 and projections for the next four years, which cover the Lillehammer and Atlanta Games, show an increase to nearly \$2.5bn, the International Olympic Committee said yesterday in disclosing details of its financial standing for the first time, writes Keith Wheatley in Monte Carlo.

The Lausanne-based IOC has assets of \$125m and received an average annual income for its own use of \$38m over the latest period.

In its first-ever annual report Mr Francois Carrard, chief executive, says that under 7 per cent of gross income is retained by the IOC to fund administration. The remainder is distributed to Games organising committees, national Olympic committees and individual sports federations.

Yesterday the IOC, meeting in Monaco where it will choose the site of the 2000 Games, agreed to establish an independent Olympic Foundation. Lausanne's Olympic Museum, opened in June, and other assets worth an aggregate \$74m will be transferred to the foundation by the end of this year.

HK appoints chief secretary

The Hong Kong government yesterday designated Mrs Anson Chan as the territory's next chief secretary. She is the first local appointment to the administration's most senior position, writes Simon Davies in Hong Kong.

The appointment will allay some concerns over the government's commitment to introducing more Hong Kong Chinese into the upper echelons of its administration and civil service.

There had been an uproar over moves to allow expatriate civil servants to extend contracts by switching to local terms. She will replace Sir David Ford in November. He was chief secretary for six and a half years, and will become commissioner in the Hong Kong government's office in London. Mrs Chan was born in Shanghai but has spent most of her life in Hong Kong and has worked within the government since 1962. Mr Chris Patten, the governor, yesterday described her as "a real fighter for the livelihood and interests of Hong Kong".

Australia considers rate rise

The Reserve Bank of Australia would be willing to consider an increase in interest rates to protect the country's currency, Mr Bernie Fraser, the central bank's governor, said yesterday, writes Nikki Tait in Sydney.

Mr Fraser also said that he believed that official interest rates might have been cut for the last time. The environment for monetary policy in Australia was changing, he told an investment conference in Tokyo, with economic activity picking up and the exchange rate lower. "All this suggests the long phase of reductions in short-term interest rates is coming to an end," he concluded. Mr Fraser's remarks come after several weeks of battering for the Australian dollar, during which the Bank has intervened to support the currency.

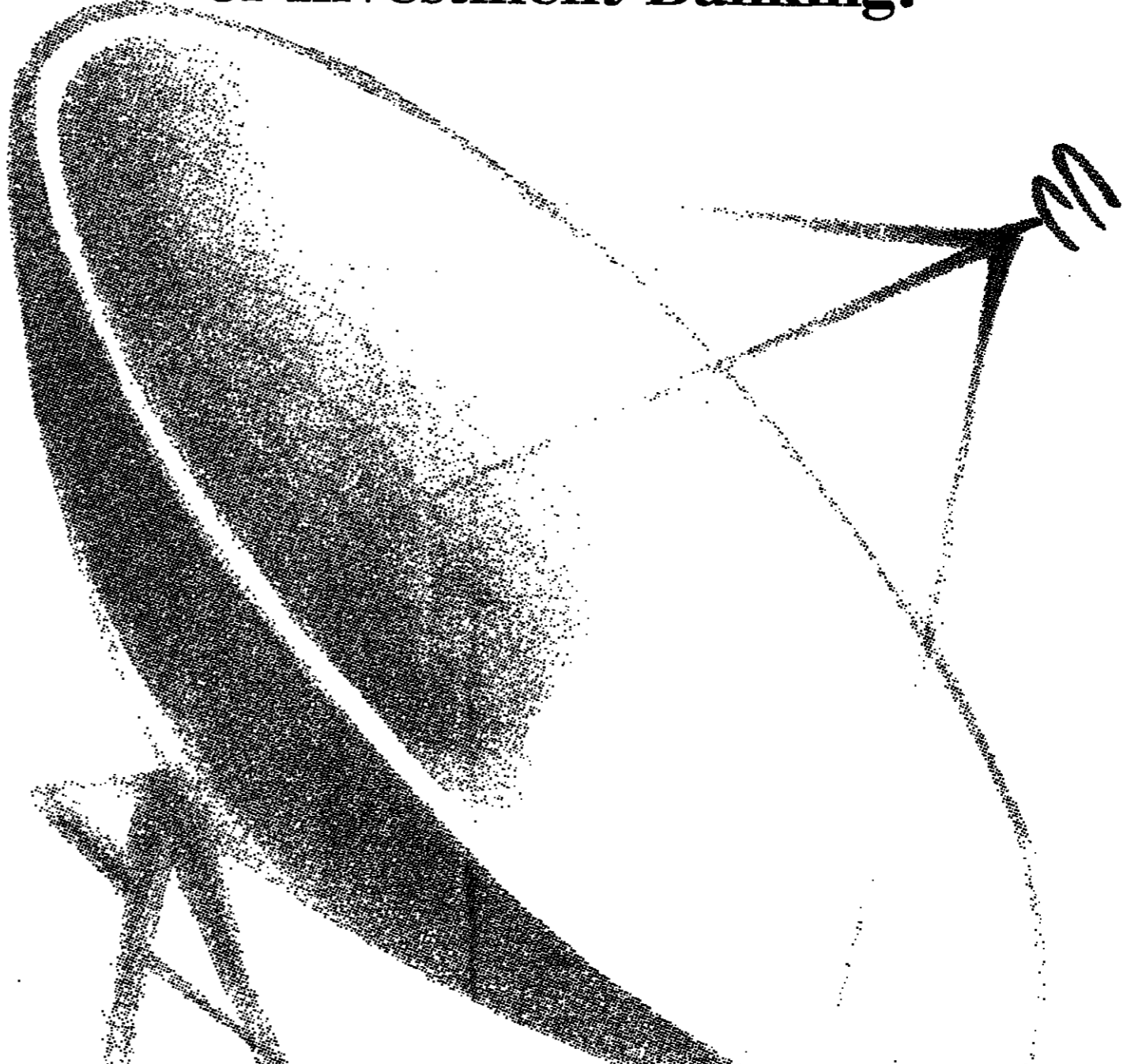
UN troops killed in Somalia

Three Pakistani United Nations peacemakers were burned to death when Somali militiamen blew up their armoured vehicle during a dawn battle in Mogadishu yesterday, Renter reports from Mogadishu.

Hours later, helicopter-borne US commandos captured Mr Osman Hassan Ali, main financial backer of General Mohamed Farah Aideed, the fugitive warlord, in what the UN termed a "significant milestone" in its operations.

A total of 53 peacekeepers - 31 of them Pakistanis - have been killed in 18 weeks of guerrilla war with Gen Aideed's followers.

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NEWS: THE AMERICAS

Clinton strategy sees expansion of market democracies

US outlines blueprint for foreign policy

By George Graham
in Washington

THE Clinton administration is proposing a new US foreign policy strategy of "enlargement" to replace the containment doctrine of the cold war years.

Mr Anthony Lake, President Bill Clinton's national security adviser, yesterday drew a blueprint of the strategy to expand the reach of democracy and market economies.

"During the cold war even children understood America's security mission; as they looked at those maps on their schoolroom walls they knew we were trying to contain the creeping expansionism of that big red blob," Mr Lake said in a speech at the School of Advanced International Studies of Johns Hopkins University in Washington.

"Today, at great risk of oversimplification, we might visualise our security mission as promoting the enlargement of the blue areas of market democracies."

Mr Lake's speech is the most elaborate articulation so far of

the Clinton administration's vision of a foreign policy for the post-cold war era.

He argued that while US efforts in Bosnia and Somalia were "important expressions of our overall engagement", they did not by themselves define the broader US strategy.

The US, he said, still supported lifting the arms embargo against Bosnia - a proposal rejected by its European allies - and remained committed to helping implement an acceptable and enforceable peace agreement.

"But while we have clear reasons to engage and persist, they do not obliterate other American interests involving Europe and Russia, and they do not justify the extreme costs of taking unilateral responsibility for imposing a solution," Mr Lake said.

Instead, he suggested, the first concern in the US's enlargement strategy should be strengthening the core of market democracies in North America, Europe and Japan.

The US should also seek to foster and consolidate democracy and market economies,



Anthony Lake: spelled out America's post-cold war strategy

particularly in the former Soviet Union and eastern Europe but also in key countries which could influence an entire region, such as South Africa or Nigeria.

Mr Lake said the US must isolate and, if necessary, strike back at the states which com-

bat democracy, especially those, such as Iran and Iraq, which are regional powers.

Finally, he said the US must intervene in humanitarian crises, but warned that relatively few intra-national ethnic conflicts would justify US military intervention.

Low rates buoy US housing starts

By Michael Prowse
in Washington

HOUSING starts in the US rose 7.8 per cent between July and August, indicating that the lowest mortgage interest rates for 20 years are providing a powerful stimulus.

The increase was larger than analysts expected and took the level of starts to an annual rate of 1.32m, the highest in more than three years.

The figures, published yesterday by the Commerce Department, came as Federal Reserve governors and regional presidents met in Washington to review monetary policy.

The Fed faces conflicting pressures on interest rates.

Some economists are pressing for an early tightening of policy to curb rapid growth of bank reserves and head off a speculative bubble in share and bond prices. Senior administration officials, however, say that interest rates must remain low in order to stimulate economic growth and job creation.

The Fed is not expected to signal an early change in short-term rates, which have stood at 3 per cent (zero after allowing for inflation) for more than a year. However, several senior officials, including Mr Alan Greenspan, the chairman, have indicated real rates are well below "equilibrium" levels.

Housing starts rose in all regions except the north-east. The strongest sector of the market was starts of single-family homes, which rose 11 per cent nationally to an annual rate of 1.18m, the highest in six years.

The surge last month followed disappointing figures earlier this year when bad weather affected building in many regions. For the first eight months starts were up only 3 per cent from the same period last year.

However, building permits - a guide to future construction - rose 16 per cent in the year to August, suggesting continued market buoyancy.

Salinas brushes up Mexico's polls image

PRESIDENT Carlos Salinas, who assumed power under a cloud of allegations of electoral fraud, has made a last effort to dispel criticisms of Mexico's political system and prepare the way for a clean and trouble-free presidential ballot next year.

Last week, at his behest, Congress passed electoral laws that will set the first-ever ceilings on campaign contributions, give independent electoral observers formal status, make the electoral institutes more independent of the government and regulate access to the media by the political parties.

The reforms are the last electoral changes before next August's presidential ballot, in which President Salinas is barred from standing by the constitution. They were passed by overwhelming majorities in both houses of Congress after the government had made last-minute concessions to the conservative National Action party (PAN), which had opposed the laws.

However, the reforms drew fire from the leftist Party of Democratic Revolution (PRD), which has fought for more profound political changes and abstained from voting. The PRD, like many independent observers, charged that the new laws would do little to loosen the Institutional Revolutionary party's 64-year grip on power.

Under the new laws, the supposedly non-partisan Federal Electoral Institute (IFE) remains answerable to the interior ministry and will have

the power to set the limits on campaign spending. Next year, individual contributions to a party will be limited to the equivalent of about \$650,000 (£422,000) while associations will be allowed to give about five times that amount. Such generous limits will work in favour of the PRI, which has close ties with most of Mexico's wealthy businessmen.

While regulation of access to the media will ensure there is no formal discrimination

Damian Fraser on attempts to take the controversy out of elections

against the opposition buying advertisements, there is no sign yet that the favourable light in which the government is treated on all television networks will change.

The new owner of Mexico's recently privatised television networks has expressed his admiration for President Salinas. In doing so, he is following the pro-government line that has helped make Televisa, the main television network, one of Mexico's most profitable companies and Latin America's largest media concern.

The changes come after the government, among other measures, last month agreed to double the number of Senate seats and, in a modest concession to PAN, to permit the

child of a foreign-born Mexican parent to be eligible for the presidency. This latter reform will not take effect until 1998, so that the PAN's most popular candidate, Mr Vicente Fox, who has a Spanish-born parent, will not be able to run in next year's election.

President Salinas hailed the new laws as creating conditions for "civil" elections and reducing the "perspective of tension". Put together with the changes passed earlier in his term, which included the drawing up of an accurate electoral roll, they make a repetition of the 1988 election, when fraud was widely reported, less likely.

Protests which followed that election and others, and complaints at massive spending by the PRI and its control of much of the media, undercut the PRI's legitimacy. This has become one of the side-issues surrounding the North American Free Trade Agreement. Several US congressmen have voiced concern about lack of democracy in Mexico and the issue is likely to be raised in congressional hearings on the trade deal later this year.

However, with the PRD opposing the reforms and the PAN in two minds about their merits, it is not certain that the laws will fulfil their function of making Mexico's elections fully credible. While the government has brushed aside the PRD's opposition to the reforms, its candidate in next year's election, Mr Cuauhtémoc Cárdenas, is expected to be the most serious threat to the PRI, as he was in 1988.

World Bank 'should step up risk'

By Peter Norman, Economics
Editor, in Washington

THE Institute of International Finance, which represents many of the world's large commercial banks, yesterday called on the World Bank and regional development banks to assume bigger risks in support of their lending to private sector investment in the developing world.

Mr Charles Dallara, the IIF's managing director, said the international financing institutions such as the World Bank should revise some of their lending rules to encourage private capital flows.

In a letter to Mr Philippe Maystadt, the Belgian finance minister and recently-elected chairman of the International Monetary Fund's policy-making interim committee, Mr Dallara suggested that the World Bank and regional development banks should think again about their insistence that governments in countries borrowing from them should guarantee all of their loans.

Mr Dallara also suggested that the institutions should provide coverage of a broader definition of political risk in countries such as Russia to attract private capital to large projects. Mr Dallara, who was

a senior official at the US Treasury and US executive director to the IMF in the 1980s, said such changes were needed to support developing nations that were putting greater emphasis in their policies on privatisation and private sector investment.

He called for the creation of a "deputies working group" of senior officials from IMF and World Bank member countries to work out plans for early changes to the policies of the development banks and the Fund so that they would be better able to mobilise private capital flows.

To some extent, the IIF is

pushing on an open door. The International Finance Corporation, a World Bank affiliate which promotes the private sector in developing nations, is expanding its activities with particular emphasis on encouraging private infrastructure investment in emergent market economies.

But it is unlikely that his plea for the international financing institutions to take on greater risk in support of private sector investment will gain rapid support in the IMF or World Bank. Both bodies feel they are running substantial risks already, especially in the former Soviet republics.

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OUR MISSION FOR NIGERIA

BY CHIEF E. A. O. SHONEKAN CBE

Ours is a civilian government of national reconciliation seeking to heal the wounds resulting from the annulment of the June 12 Presidential elections in Nigeria. The Interim National Government represents the pragmatic non-violent way by which we put an end to military leadership of our nation given the firm determination of the military to annul the presidential election and the obvious lack of a consensus among the political class in their response.

Our mandate is to rapidly conclude the democratization process in Nigeria within the next six months and restore full blown democracy founded on our well-known traditions of a free press, the rule of law and social justice. In this regard, the popularly elected National Assembly have been given its full powers to make laws. Thus the Interim National Government affords us the opportunity of a befitting rehearsal of the third republic in terms of the interface of the three arms of government, that is, the executive, the legislature and the judiciary.

The immediate revival of the Nigerian economy which had suffered a lull as a result of the political impasse, will form the bedrock of our policy focus.

We are confident that the resilience of the Nigerian economy will ensure we return to the path of growth where equal and unfettered opportunity for all investors in Nigeria is guaranteed. We will not, however, lose sight of the urgent need to implement measures for full economic recovery and reform.

We shall strive to improve the quality of governance, enthrone transparency and accountability in the management of public affairs and carry out a crusade against corruption while we continue to honour all international obligations.

To our friends around the world we call for co-operation and understanding as we accomplish our primary mission of enthroning a viable democracy for Nigeria.

Long live the Federal Republic of Nigeria!

E. A. O. Shonekan

CHIEF E.A.O. SHONEKAN, CBE
HEAD OF STATE AND COMMANDER-IN-CHIEF

“Our mandate is to rapidly conclude the democratization process in Nigeria within the next six months, ... enthrone transparency and accountability in the management of public affairs ...”



Chief E.A.O. Shonekan, CBE

French coaxed back into farm trade fold

GATT

FRANCE's long-running campaign to secure a more favourable deal on farm exports in the Gatt world trade talks may have been decided in a brief but explosive encounter in the early hours of yesterday morning. Around midnight, Sir Leon Brittan, the EC's chief negotiator, tore into a proposed Franco-German draft seeking "clarifications" on the EC-US Blair House agreement limiting farm trade exports. Drawing on his skills as a former barrister, Sir Leon coolly picked apart the draft on the grounds that it risked tying his hands in future negotiations with the US.

The intervention provoked a furious reaction from Mr Alain Juppé, French foreign minister. He reminded Sir Leon - a former UK cabinet minister - that he was a mere "official" who would kindly take his orders from the assembled EC ministers in the Gatt trade negotiations.

Around 4am, after more than 12 hours of talks between 35 EC foreign, farm and trade ministers, Sir Leon emerged with a second compromise agreement which he said had cleared the air. "I hope we can now

Gunsmoke has cleared but EC divisions remain, writes Lionel Barber

avoid the atmosphere of drama and crisis, returning to the Gatt to the humdrum plain of normal negotiations. The atmosphere of the OK Corral has disappeared."

A judgment on the outcome of the crisis talks depends on which of the two gunslings came out on top. The initial reaction in Brussels yesterday was that Sir Leon had bettered Mr Juppé, though the victory is far from final.

In the run-up to the Monday "jumbo" meeting of EC ministers, it was clear that the Belgian presidency of the EC and the European Commission had one goal in mind: to strike a face-saving compromise which appeared to give credence to some French objections to the Blair House accord without, however, seeking a formal reopening of the agreement which could tie Sir Leon's hands in negotiations in other unresolved Gatt areas such as market access, textiles, steel and intellectual property.

It was always going to be a tricky balancing act. Not only have the French in recent months made opposition to Blair House a cornerstone of their trade policy, but they have also raised the threat of a veto of the final Gatt agreement which the EC, US and other major trading nations



Sir Leon Brittan: determined his hands should not be tied in US talks

hope to conclude by the December 15 deadline.

The Blair House agreement provides for subsidised farm exports to be cut by 31 per cent in volume over six years; the value to be reduced by 36 per cent; and internal price supports to be trimmed by up to 20 per cent. It was agreed with great difficulty, and only after Mr Ray MacSharry, the EC's chief farm negotiator, had resigned temporarily because of alleged interference from

Mr Jacques Delors, president of the European Commission.

This same question of how far the EC's trade negotiators should be given latitude to strike deals without having their hands tied by the members states was the dominant issue in the Brussels talks.

The conclusions make clear that Sir Leon should be able to retain his room for manoeuvre. It makes no mention of a new negotiating mandate to re-open Blair House, and it

only calls for him to follow the Council's "orientations" in raising with the Americans a number of (largely French) complaints about the contents of Blair House. These include a number of requests:

- An extended peace clause to prevent the US from taking unilateral action against the EC's farm export regime.

- Whether to include food mountains and cereal substitutes as part of the export cuts package

- A mechanism to ensure that the EC can take advantage of growth in world markets, particularly Asia.

- A "safeguard" clause which would help to protect the EC against surges in cheap food imports.

- So-called "front-loading" which might allow the French and other farm exporters to delay some of the cuts in subsidised exports until some time toward the end of the Blair House target date of 1997.

German, British and Commission officials said yesterday that Sir Leon was under orders to raise these problems with Mr Mickey Kantor, US trade representative, whom he meets on September 27 in Washington; but this did not amount to an instruction to formal renegotiation of Blair House.

"He only has to discuss these matters," said one German official, "if

he does not return with results, he does not have to keep going back and forth to Washington."

This interpretation does not square with Mr Juppé's interpretation. Speaking on French radio yesterday, Mr Juppé said that if Sir Leon returned to the next EC foreign ministers' meeting in Luxembourg empty-handed "France will not accept the Blair House accord such as it is."

Viewed negatively, the renewed threat of a French veto suggests continuing guerrilla warfare; but a more positive interpretation is that the Brussels compromise offers Paris enough prospect of changes in Blair House to prevent the country slipping into dangerous isolation. "We kept them in the fold," said one senior EC diplomat. This presumes, of course, that the US will be ready to compromise too, a prospect by no means clear in the light of the weakness of the Clinton presidency and the strength of the US farm lobby. Some EC officials warned yesterday of possible US counter-demands, further dampening prospects of a Gatt deal by December 15.

Early this morning, Sir Leon played down this risk and urged all countries to make additional tariffs offers to keep the Gatt talks on the track. It remains a tough sell in the light of the continuing profound divisions within the EC on trade.

NEWS IN BRIEF

German mining rights approved

AN Anglo-American energy consortium is on course to complete one of the largest single investments in eastern Germany after Mr Kurt Biedenkopf, prime minister of Saxony, said he would grant it mining rights, writes Judy Dempsey in Dresden.

The decision to grant the rights for Schleenhain, one of the brown coal fields the consortium is buying, clears the way for an investment of more than DM1.5bn (\$920m) in eastern Germany. It also means eastern Germany's highly regulated energy sector will be privatised.

The consortium - comprising PowerGen, the UK-based utilities company, NRG of Minneapolis, and Morrison Knudsen of Idaho - is buying a 44 per cent stake, or the equivalent of 400MW capacity, in a power generating plant at Schkopau, near Halle in the eastern state of Saxony-Anhalt. It is also buying the Mitteldeutsche Braunkohle, or Mibrag, lignite fields straddling the states of Saxony and Saxony-Anhalt.

Thai refinery financing deal

Rayong Refinery has signed \$1.5bn of project financing facilities to fund a hydrocracking refinery to be built in Thailand, writes Tracy Corrigan. The total project cost will be about \$2.4bn (\$1.55bn). Rayong Refinery is a joint venture owned by the Royal Dutch/Shell group (64 per cent) and the Petroleum Authority of Thailand (36 per cent).

Coca-Cola opens Romanian plants

Coca-Cola has opened three new bottling plants in Romania in a \$31m investment, Virginia Marsh writes from Bucharest.

The company said the opening of the three plants had tripled its capacity in Romania and it now employed 2,500 local staff at its six factories and in distribution.

Japanese car exports fall

Toyota and Nissan, Japanese carmakers, yesterday unveiled steep declines in August export volumes, writes William Dawkins in Tokyo. The drop, 19.1 per cent year-on-year at Toyota and 22.4 per cent at Nissan, reflects increased output at their overseas plants, as they seek to sidestep the impact of the yen's rise on the price competitiveness of vehicles made in Japan.

US sticks defiantly to hard line over pact renegotiation

THE Clinton administration yesterday showed no sign of backing away from an increasingly hard line against reopening the US-EC Blair House farm trade accord, writes Nancy Dunne in Washington.

A spokesman for Mr Mickey Kantor, US trade representative, said any attempt to reopen the pact would be viewed "with grave concern". It was "a painfully wrought

compromise in the first place" and even "clarification" would be unacceptable if it was a cover for renegotiation.

President Bill Clinton said last week at a press conference attended by Mr Carlo Azeglio Ciampi, the Italian prime minister, that the EC "must resist opening this hard-struck bargain". Otherwise it would be "standing in the way of efforts to bring the Uruguay Round to

a rapid and successful conclusion".

Nineteen US farm groups - most of which have been active advisers in the Uruguay Round negotiations - last week asked the president "to make clear to the European Community that the commitments made by both parties at Blair House are not negotiable". They also asked him to press for "a significant expansion"

of market access during the concluding phase of Gatt negotiations.

Ironically, it was Mr Kantor who first talked about opening up the Blair House pact, because he thought US farmers had got a bad deal. The farm lobbyists - including the American Farm Bureau, the National Association of Wheat Growers, and the National Corn Growers - are now

insisting the Blair House accords "represent minimal commitments on the part of the EC to reduce its trade-distorting export subsidies, restrain surplus oilseed production and maintain zero-duty access for non-grain feed ingredients".

There is increasing bitterness among US business lobbyists against the French and a perception that the US is being

blamed for a December 15 Gatt deadline, which coincides with expiry of the US's fast-track negotiating authority. The deadline was agreed after close consultation with US trading partners and Gatt officials, they say.

One strategist recommended the US "multilateralise" its response by calling a meeting of farm exporting countries in favour of farm trade liberalisation.

"The US must not allow itself to be dragged into another US-EC confrontation," he said.

Some US farm lobbyists have noted that the French position is not significantly different from Mr Clinton's strategy to make more acceptable the North American Free Trade Agreement by negotiating labour and environmental side agreements.

Geneva officials see hope for Gatt

By Frances Williams in Geneva

THE apparent EC decision not to reopen the Blair House deal on farm subsidies with the US was greeted with relief by trade negotiators, who said the way was now clear to complete the Uruguay Round of world trade talks by the end of the year.

"On balance, the outcome must be positive for the Round," said one trade diplomat. "The EC has avoided a crisis, and there was no commitment to back down from the Blair House accord."

The farm trade agreement, although it has not yet been extended to all 116 nations taking part in the Round, underpins crucial negotiations taking place in Geneva on opening markets to imported farm goods. These talks are seen as vital to acceptance of the Uruguay Round package by a large

number of agricultural exporting nations, especially in Latin America.

Diplomats discounted threats from Paris that a veto might again be brandished if Washington fails to respond adequately when Sir Leon Brittan, EC trade commissioner, presents French concerns to his US counterpart, Mr Mickey Kantor, next week.

"I think people now have an interest in letting the Geneva negotiations continue," said one, pointing out that some "clarifications and additions" as demanded by the French could well come through the process of "multilateralising" the Blair House agreement.

Elsewhere, negotiators have reported "very good progress" in talks on improving market access for services.

For goods, progress has been slower but countries are "fully engaged".

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NEWS IN BRIEF

German mining rights approved

A Franco-American energy consortium is on course to secure one of the largest mining concessions in eastern Germany after Mr Kurt Biedenkopf, prime minister of Saxony, said he would grant it. The consortium, writes John...

That refinery financing deal

The refinery has signed a project financing agreement with a hydrocracking unit to be built in the state of Saxony. The project cost is estimated at 1.5 billion marks. The refinery is a joint venture between the East German state and the Petroleum...

...old opens Romanian plants

The plant is expected to be operational by the end of the year. The plant is a joint venture between the East German state and the Petroleum...

...car ...

The car is expected to be operational by the end of the year. The car is a joint venture between the East German state and the Petroleum...

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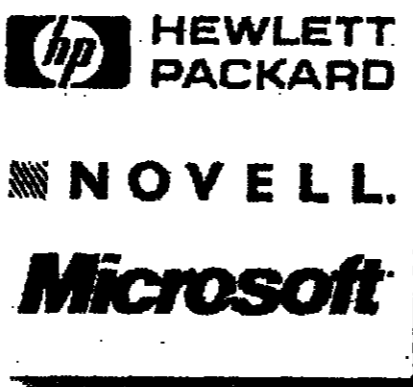
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NEWS: UK

US company seeks share of PC market

By Alan Cane

COMPETITION in Britain's personal computer market, already the fiercest in Europe, has intensified sharply with the arrival of two leading players from the US and mainland Europe.

Plans to take a share of the UK's £3bn PC market were announced yesterday by Gateway 2000, a large, privately held, US manufacturer based in South Dakota.

Vobis Microcomputer of Germany announced plans to enter the UK last month. Gateway will market its full range of computers through the "direct" channel while Vobis is selling its "Highscreen" brand through Dixons, the high street electrical giant.

Direct channel manufacturers use neither retailers or distributors but advertise their products in newspapers and trade magazines, completing the deal by telephone or mail order. The technique was pioneered by Dell Computer Corporation of the US which has grown in a decade to annual revenues last year of \$2bn. More than 30 per cent of PCs are sold in the UK through the direct channel.

Gateway claims to sell more IBM-compatible PCs through the "direct" channel in the US than any other manufacturer. It has set up an assembly and distribution centre in Dublin, Ireland, from which it intends to attack the UK market before tackling France and Germany.

Established in 1985, it employs 2,500 in the US and made pre-tax profits of \$105m in 1992 on a turnover of \$1.1bn.

Vobis, one of the largest PC manufacturers in Germany, is following its compatriot Escom AG which earlier this year started a chain of small retail stores in the UK. About 15 have already been opened and Escom is aiming for 25 by the end of next month.

The UK PC market has grown vigorously over the past 12 months, driven by big advertising campaigns and falling prices. According to Context, a London-based consultancy, sales in 1993 are likely to be 22 per cent ahead of last year. Some 93,000 units were shipped in July alone, 37 per cent more than the year before.

The value of the computers shipped increased by only 17 per cent, however, an indication of the sharp decline in prices. Context says the average price of a system is £1,400. Most experts believe prices will not fall much lower, but customers will get more features for the same price.

According to the marketing consultancy Romtec, Compaq of the US has the lion's share of the UK market with 13 per cent while IBM is only one per cent behind. Apple has seven per cent, ahead of Dell with six per cent. Toshiba, Elonex and Olivetti hold four per cent apiece while none of the other 200 or so manufacturers selling in the UK have more than three per cent of the market.

Ministers 'approved export of machine tools to Iraq'

By Jimmy Burns



David Mellor: "At the Department of Trade and Industry there were a lot of people nipping at the edges [of the guidelines] and there was a minister who didn't believe in them anyway."

GOVERNMENT ministers approved the export of machine tools to Iraq which may have been in breach of the government's own publicly declared guidelines, the Scott inquiry heard yesterday.

Mr David Mellor, foreign office minister from June 1987 to July 1988, said that he had supported the exports after receiving a Foreign Office report which excluded intelligence information warning of the exports' potential military application.

He justified the government's decision, taken in early 1988, on the grounds that the export licences referred to contracts entered into before the guidelines were announced to the House of Commons in October 1985.

While accepting the intelligence excluded from the report was important, Mr Mellor refused to blame his officials.

"I don't want to shelter behind the notion that I didn't know all that I ought to know

when I was making a decision," said Mr Mellor.

The minister said the foreign office at the time was facing pressures from other government departments to let the exports through mainly for commercial reasons. "At the Department of Trade and Industry there were a lot of people nipping at the edges [of the guidelines] and there was a minister who didn't believe in them anyway."

Mr Mellor was being questioned about an internal memo sent to him by Mr William Patey, a Foreign Office official who was chairman of the inter-departmental committee responsible for vetting defence exports to Iraq at the time.

Mr Patey told the inquiry in June that advice given by civil servants to ministers on the export of machine tools in January 1988 was "deficient" in that it glossed over the extent to which they might contravene declared policy.

The exports were approved after Whitehall had received intelligence that Iraq was

building up its arms manufacturing capability after signing contracts with Matrix Churchill and other UK British machine tool companies.

In further evidence to the inquiry yesterday, Mr Mellor said that during nine hours of talks he held with President Saddam and his foreign minister Tariq Aziz in Baghdad February 1988, he had not once raised British concerns about defence exports.

The minister said the subject of arms sales was not one "you messed about" with the Iraqis, as it might have compromised British intelligence.

Mr Mellor confirmed he had approved a memo in February 1988 naming Jordan as a country "known or suspected" of diverting military supplies to Iraq or Iran.

In written evidence to the inquiry earlier this summer, Mr Mellor said that he could not recall having been made aware of third countries being used as a diversionary route for British defence equipment to Iraq.

From São Paulo to Singapore, more people around the world



AND EVERYWHERE

New electric motor hailed as breakthrough

By Tim Burt in Birmingham

BRITISH SCIENTISTS and component manufacturers yesterday hailed a breakthrough in the design of electrical motors which they claimed could revolutionise power systems in cars and domestic appliances.

Launching a three-year programme to develop the new motors, scientists from the universities of Warwick and Cardiff said the innovation could lead to a 60 per cent reduction in the size of motors needed to power products ranging from

food mixers and power tools.

The development programme is backed by a consortium of 22 companies including Black & Decker, Lucas Industries and Kenwood, and will be part funded by Britain's Department of Trade and Industry.

The motors unveiled yesterday are driven by coils of wire which are energised with pulses of electricity 400 times a second. The process is called switched reluctance drive.

This is thought to be the first time such an electrical system has been invented in a format acceptable to industry.

Coast to coast travel entices French tourists

PEOPLE in Kent know it is raining if they cannot see the French coast. If they can see the French coast, they know it is about to rain.

Despite the weather, and what is seen as poor food, 2.5m French residents visited last year, second only to 2.7m north Americans. In 1991, the year of the Gulf War, 2.3m French tourists visited the UK, more than any other nationality.

The bad news is that while the French are coming in increasing numbers, apparently attracted by proximity, history and culture, they tend to be younger than most and spend, on average, half that of their American counterparts.

But there is nothing wrong with catching tourists young. Today, the BTA begins a campaign to persuade even more French visitors to cross the Channel, with the official opening in central Paris of a new UK tourist centre, the Maison de la Grande Bretagne.

The centre will be opened by Mr Peter Brooke, the heritage secretary. The ground floor has video displays and a book shop. British Rail International has a sales office and a licence to sell airline tickets as well. Other companies with shops in the centre are Edwards & Edwards, the booking agency, Eurotunnel, and the ferry companies Brittany Ferries, P&O and Sealink.

Mr Bruce Taylor, BTA's manager in France, says the centre was set up because 96 per cent of French visitors to the UK make their travel arrangements independently rather than through travel agents. Although the official inauguration is today, the centre has been open since July. It has so far had 20,000 visitors.

Although French tourism to the UK has increased by 76 per cent since 1981 its financial contribution is relatively small. The average French tourist in the UK spent only £28.10 a day last year, compared with average American expenditure of £55.20 a day.

Despite the food and weather, the UK's popularity is growing writes Michael Skapinker

One of the reasons is the age of French visitors. In 1991, 24 per cent of French visitors were under 18. Over 40 per cent were under 25. Only 16 per cent of US visitors were under 25.

The reason for the youth of French tourism is the predominance of school tours and language students. Mr Taylor says that although the attitudes of UK families hosting language students have improved, some still do not understand that they are providing a service for which visitors are paying. The BTA is proposing a code of conduct to improve the hospitality shown to students.

Nevertheless, Mr Taylor says 60 per cent of French visitors to the UK have been before. French adult tourists are particularly valuable, he says, because they tend to come outside the main summer season.

Mr Frederic Simonet, a technology student, and Ms Anne Morvan, studying English, were at the centre last week, booking a weekend in London in October. London has three attractions, they say. It is nearby, they can practice their English and the shops are different.

Mr Taylor says the BTA decided to deal realistically with the UK's perceived drawbacks. Its brochure admits the weather is changeable. It does not feature any pictures of bright blue skies.

No one, the brochure says, criticises British food more than the British themselves. But, it says, standards have improved. Judging by the crowds at Marks & Spencer in Paris, loading their trolleys with pork sausages and crumpets, the French have already made their peace with British cuisine.

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Taste of tap water 'not EC's business'

By Bronwen Maddox

MR TIM YEO, environment minister, yesterday attacked European environmental policy when he claimed that there was "growing cynicism among the public" that other European countries would ever be forced to comply with the host of European directives.

His criticism comes two days before the UK government and the water industry will press for a revision of the EC 1980 drinking water directive which would allow countries more discretion in setting down standards.

Speaking in Manchester at an international environmental conference hosted by the government, Mr Yeo said that the "temperature, taste and odour" of drinking water were "not the European Commission's business".

Tomorrow's meeting of government officials in Brussels, organised by Eureau, the association of European water suppliers, is the first attempt to renegotiate the drinking water directive in its 13-year history. Mr Yeo called the directive "a very out of date directive due for revision".

Much of the current £15bn investment programme of the UK water industry is directed towards meeting EC standards on drinking water and sewage treatment.

The UK water services association, representing the 10 large UK water companies, together with Ofwat, the industry regulator, have called for a revision of the standards to help slow the rise in customers' bills.

Mr Yeo acknowledged that other countries - particularly the Netherlands, Germany and

Denmark - may call on Britain to tighten controls on agricultural pesticides. "We may be asked to move on that front," he said.

The Eureau proposals, which are backed by the UK water industry, call for new drinking water standards to:

- Focus on health not "aesthetic factors".
- Specify average levels of permitted substances instead of maximum levels, to allow some variation.
- Be based on scientific evidence: in particular the World Health Organisation guidelines.

Mr Yeo refused to give a commitment that the UK government would press ahead with removing traces of lead from drinking water in line with new, tighter World Health Organisation guidelines announced last year.

Italian group plans UK factory

By Tony Jackson in Fabriano, Italy

MERLONI, the Italian producer of domestic appliances and Europe's fourth biggest, plans to build a refrigerator plant in the UK.

Mr Vittorio Merloni, chairman and chief executive, said yesterday the plant would cost a minimum of £15m and would employ between 200 and 250 people. No decision had yet been made on its location.

Mr Merloni said his company aimed to build the plant within the next three to four years. Merloni has approximately 5 per cent of the UK fridge-freezer market, against a target of 10 per cent of the European white goods market in the next five years.

The company already has 13 per cent of the UK washing machine market, it claimed, all supplied from continental Europe.

Insults fly over Major leadership

By Ivor Owen

THE ROW over Mr John Major's leadership degenerated into a public slanging match yesterday, with critics responding angrily to reports that the prime minister had described four Tory rank-and-file MPs as "harpy".

Some MPs, believed to be among those Mr Major was referring to, retorted in kind, suggesting it was not them but the prime minister to whom that adjective could be best applied.

Meanwhile, Mr Michael Portillo, chief treasury secretary, became the latest cabinet heavyweight to call publicly for a halt to the sniping.

"We have to make it very plain to people that it is a nice luxury to be a rebel and to sound off against the government but eventually this government has to govern," he said.

Sir Richard Body, Tory MP, said Mr Major's comments, allegedly made during his official visit to Tokyo, were "rather sad".

He said: "A number of us have been trying to get a message through to him that there is growing disillusionment in the country... but he won't listen."

Sir Richard, who has been tipped as a possible "stalking horse" challenger (prompting a more serious rival to enter the contest later) to Mr Major this autumn, said a number of "very ordinary" Conservative MPs had contacted him since he first raised the leadership issue to tell him that their constituents were saying exactly the same thing.

He said he would be "sorry" if Mr Major did have to face a formal leadership challenge. "But if we are going to carry on like this I fear it will be inevitable."

Britain in brief



London 'best' for business

London is considered the best city in Europe to locate a business, according to a survey of international managers by the Harris Research Centre.

The survey, published by Healey & Baker, chartered surveyors, found London had strengthened its position as a commercial centre. For the first time in the four-year history of the survey, London was considered to offer the most in terms of cost and availability of staff.

Paris maintained its position as the second best city in Europe to locate a business. The third most popular city was Frankfurt, which retained its top position for international transport links, although it has lost ground on staff costs and availability.

Glasgow and Manchester have both slipped one place down the league of the most popular cities, to be ranked seventh and ninth respectively. Brussels, which was ranked in fourth place, was considered the most important future political centre.

The survey suggested that Barcelona, Berlin, Lyons and Paris were the best at promoting themselves to international businesses.

A total of 527 senior executives from nine European countries were interviewed for the survey.

Purchases during the period by non-UK groups of securities including government gilts and corporate stocks and bonds totalled £13.82bn.

This was not far short of the £21.39bn figure for the whole of last year and well up on the previous record quarterly number of £28bn seen in late 1987.

● Wages per unit of output across the economy barely changed between the final quarter of last year and the second quarter of this year, underlining the weakness of inflationary pressures.

Course stranger than fiction

Students are being recruited to boldly go where education has never gone before - on Europe's first Masters degree course in science fiction.

Liverpool University will launch its Master of Arts course in science fiction studies next October.

The university library has become the home of the Science Fiction Foundation Collection, launched in 1970 with acclaimed sci-fi author Arthur C Clarke as a patron and boasting 25,000 books and magazines.

Nissan to halve production

Nissan, the Japanese car-maker, is to halve production at its £900m car plant at Sunderland in the final two months of the year under the impact of the sharp decline in new car sales in continental Europe.

It is the latest victim of the downturn in European new car demand, which has forced widespread job losses, production cuts and restructuring across the European motor industry.

Nissan said it would move to single shift working for two months from November 8 by eliminating the night shift, in order to cut output from 1,200 to around 600 cars a day.

Jurassic mark-up

British toy retailers were accused of ripping large chunks of cash out of parents with dinosaur-loving offspring.

It was claimed that they were demanding nearly double the prices charged by US retailers for toys linked to the successful film, Jurassic Park.

Mr Nigel Griffiths, Labour's front bench consumer affairs spokesman, is asking Sir Bryan Carsberg, director-general of fair trading, to investigate the price difference between identical goods bought in the UK and the US across a range of products including toys, food and clothing.

According to the Labour party, a Tyrannosaurus Rex toy costing \$9.99 (£6.66) in the US was retailing at £14.99 in Britain or £12.22, excluding value added tax. Velociraptors costing \$9.99 (£6.66) excluding VAT in Britain were selling at \$6.99 (£4.66) in the US.

Programme to reduce fish fleet

The government announced that 142 fishing vessels, accounting for about 2.5 per cent of UK fleet capacity, would be decommissioned in the first year of its three-year £25m programme to reduce the fleet.

Less savings boost growth

The UK economy expanded faster in the second quarter than initially estimated partly as a result of people saving less, government figures showed.

However, the platform for recovery still appears to be fragile. Pre-tax personal incomes between April and June showed their first quarterly fall for 27 years, partly as a result of low wage increases, a fall in social security benefits and weaker investment income linked to lower interest rates.

● Overseas institutions bought record volumes of UK financial securities in the second quarter, helping to finance the UK current account deficit.

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The £12m reconstruction of the Globe Theatre, Shakespeare's own, has moved a step closer. Globe Trust founder Sam Wanamaker (left) is pictured with actor Julian Glover on the site beside the Thames in London, close to the original theatre site. Two new sections have been completed and the theatre should be finished by next year. It's first season is due in 1995

MANAGEMENT

Made to measure MBAs

The diversity of the British MBA market will be highlighted today when ScottishPower and the textile group Dawson International announce a new management development programme at Heriot-Watt University Business School, Edinburgh.

Those involved say efforts have been made to design a course which is relevant to the needs of the two companies. The part-time MBA is also structured so that the 39 participants can balance study with the demands of their jobs.

So-called industry-led consortium MBAs are now an established part of the UK management education scene. Other business schools which offer them include Warwick (backed by BP Chemicals, North West Thames Regional Health Authority, National Westminster Bank and British Telecom), the City University, Lancaster and Henley (though the latter finds companies are now more interested in its shorter Diploma of Management course).

Consortium MBAs are popular because they enable project work to be carried out with client companies, as well as reducing the risks to employers of losing their best managers. Concerns expressed are that companies have too much influence over the course content, and that control over entry standards passes from the participating business school.

"In the past many companies have taken a passive view, sponsoring almost anyone who asked to go on a part-time MBA programme," says Ian Hirst, head of Heriot-Watt Business School. "As a result the people who got the training were not the ones who would benefit the company most. However, ScottishPower and Dawson International have been closely involved in designing the programme structure and will be active in maintaining quality and relevance throughout."

Mike Kinski, ScottishPower's human resources director explains: "If we need to compete in the increasingly competitive market place, we need to develop in our managers a wider business understanding, increased commercial awareness, a broader range of knowledge and improved leadership skills."

Tim Dickson

Donald McGarva is a 32-year-old engineer from Scotland who has a job in a factory. He is also a celebrity. The factory is in Numazu in Japan, and McGarva, who works shoulder-to-shoulder with Japanese engineers, has a worm's-eye view of working practices that are the envy of the world. Diplomats, and businessmen from east and west consult him. Even John Major, who visited Japan this week, dropped in on him to find out how things look from his angle.

McGarva is one of 10 junior employees at ICL, the UK-based computer company, who have been transferred for a two-year stint to Fujitsu, ICL's Japanese parent. This select group is matched by a similar band of Fujitsu workers who have been plunged into ICL. Both have had their cultural and professional worlds turned upside down in the interests of what is known as corporate "synergy".

When Fujitsu bought 80 per cent of ICL three years ago, it was decided that the European company would continue to be run autonomously. Yet in order to make sense of the new relationship, both businesses needed to find a way of extracting some benefit from the other.

The exchange scheme was part of a master plan created by Peter Bonfield, chairman of ICL and Fujitsu's president Tadashi Sekizawa. The aim was twofold: to spread ideas from one company to another in an informal way and to create a cadre of high fliers with the wherewithal to deal with an international future.

It was recognised from the outset that the plan would only work if the top people were prepared to learn from the trainees. Sekizawa makes sure he knows the E-Mail identity of each trainee and encourages them to send him messages. This in itself was a breakthrough, as Japanese employees no more dream of putting their own views to the president than of taking their clothes off in the office. Yet already the electronic messages are flying eastwards, and are being heeded.

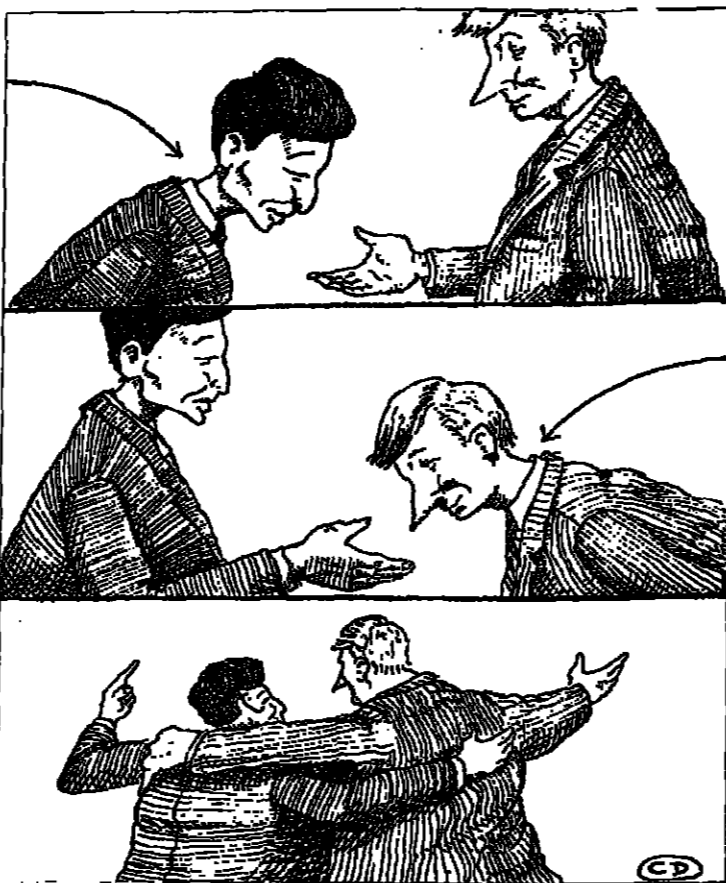
One bold Japanese trainee was astounded to discover that ICL employees volunteered for the exchange scheme, whereas Fujitsu trainees were chosen. The experience of Satoshi Yamamoto was typical: he was told by his boss on his wedding day that he would be leaving for ICL in two months.

The trainee suggested to Sekizawa that employees who put themselves forward were likely to be more motivated. The president took note - somewhat to the alarm of his personnel department - and vacancies on the scheme are now being advertised. Nearly 100 people have applied for 10 positions in the latest batch.

Bonfield, who lunches or dines

Lucy Kellaway on a bold exchange programme between computer company ICL and its parent Fujitsu

Sashimi and chips



with his trainees each time he visits Tokyo, has been told in detail about the impressive technology used at Fujitsu. He had also learnt some home truths about the way certain parts of ICL look from the outside. According to McGarva: "It's far from a perfect company. There are some areas that I used to be proud of, but which I now see differently. I can see areas where we can become more international."

The lessons that are emerging from the first wave of exchanges are not what one might expect. Japan has long been regarded as having near mystical management ability. During the past decade,

British companies have copied wholesale Japanese working practices such as Just In Time delivery and Total Quality Management. But to judge from the Fujitsu/ICL experience, some management lessons are starting to flow the other way.

"Fujitsu people are eagerly seeking our opinions," says McGarva. "Japanese companies are changing from the inside. Traditions like lifetime employment are starting to change." The Fujitsu employees have found plenty to admire in the way ICL is run. Yamamoto, who works for the personnel department, is amazed at the care with which ICL graduates are picked. By

contrast, the 1,200 or so graduates that are taken on each year by Fujitsu are hired by the yard. He is also impressed by employees' tailor-made career plans. "In ICL, personnel objectives are clearly defined, and that improves motivation. In Japan people are clearly uncomfortable objectives," he says.

Kenji Watanabe is surprised at the degree of respect given to consultants and technical people - which in Japan is reserved for the managers. Kenji Serikawa has sampled the British two-to-three week summer holiday, and finds he prefers it to the three to four days he might expect at home. "Here I can relax more," he says.

But will these messages get through? "Many Japanese companies are aware that their style is not a perfect one, and are keen to learn something from overseas," says Watanabe.

These lessons have not been learnt without a cost: both sides have suffered severe culture shock. Field Hunter, the first woman to be sent to Fujitsu, had a double dose. "The biggest shock was on the morning of the first day to hear the company song on the PA, followed by exercises." As a female engineer, she was regarded as a freak. "For the first six weeks the Japanese didn't know where to pigeon-hole me. To survive you have to have a lot of confidence. You've got to get up and do it."

For Nigel Beane, who has been at Fujitsu for six months and lives in a company flat, the most difficult moment was being woken up at 7.30am on a Sunday morning by the company tannoy and being told it was a lovely day and to take some exercise.

The ICL people came prepared with six months of intensive language and culture training, yet they still felt at sea. But that was six months more than the Fujitsu people had. Although most could already speak (American) English, none had any idea of what to expect from working in the UK. Serikawa found himself on the first day talking to customers in a language that he was uncomfortable with about a computer system he did not know. Watanabe could not understand why British managers found his customary politeness absurd.

All have now acclimatised. Watanabe says he can switch the politeness on and off depending on whether he is talking to British or Japanese colleagues. Hunter is now treated like another engineer. McGarva introduces himself as Fujitsu's Donald McGarva without thinking.

Much as each side has enjoyed its sojourn, there will be compensations to going home. The Japanese trainees are looking forward to a public transport system that works. Beane is looking forward to a lie-in.

Quantum leaps in a dangerous game

Christopher Lorenz on keeping up with the pace of change

Hard on the heels of General Motors, Philips, IBM, Kodak and Volkswagen, Daimler-Benz revealed last week-end how deeply it, too, is in the mire.

With disasters at such mega-companies mounting by the month, are commentators right when they argue that the days of the large corporation are numbered? Or is the western business world simply going through an unusually intense phase of its natural cycle of life and death? Either way, what can large companies do to postpone the evil day or - just possibly - avoid it entirely?

These seminal questions towered above a thousand lesser puzzles about corporate strategy and organisation last week in Chicago, where 600 business academics, consultants and executives gathered at this year's annual meeting of the International Strategic Management Society.

It was pure but painful coincidence that several top speakers threw the same statistic at the audience: that almost 40 per cent of the companies which comprised the Fortune 500 a decade ago no longer exist. Of the 1970 Fortune list, 60 per cent have gone, either acquired or out of business, the conference was told. And of the 12 companies which comprised the Dow Jones Industrial Index at the turn of the century, only General Electric survives as a giant.

As one senior manager put it: "Very few organisations last the lifetime of an individual and still fewer lead their industry for more than 20 or 30 years."

He was understating the problem. The average corporate survival rate for large companies a decade ago was only about half as long as the life of a human being, according to a well-publicised study of the time by the Shell oil giant. Yet some companies last well over 75 years.

The phenomenon of rapid corporate decline and fall has two traditional explanations: first, the inability of most companies to "learn" and adapt at least as rapidly as their environment changes; and second, the tendency of companies in certain industries to be disrupted severely by technological innovation.

Since the Shell study was done, the pace of change in the business environment has accelerated on every front: capital and trade barriers have been lowered, industrial competition has become global, technology has cut the cost of breaking into new geographic and product markets, and companies have recognised the benefits of collaboration rather than all-out merger or acquisition.

As a result, many large companies are experiencing unprecedented pressure. Contrary to fashionable wisdom, this is not only coming from smaller, upstart companies taking advantage of the new competitive importance of flexibility, but also from large companies which have been better able than most of their peers to revitalise themselves.

Thus Kodak is reeling partly from Fuji and 3M, Sears from Wal-Mart, and IBM partly from Microsoft and Hewlett-Packard.

In these circumstances, the old "success strategy" of continuously improving one's performance is no longer adequate, the Chicago conference was told by the managing partner of Arthur Andersen Consulting, George Shaheen. Instead, companies in all sectors must focus on becoming "not only better but radically different". They must take quantum leaps in order to reshape their industries.

Roger Stone, the president and chief executive of his family's 67-year-old corrugated packaging company, Stone Container Corporation of Chicago, described how it is now revitalising itself after growing profitably 15-fold in the 1980s, to annual sales of \$5.5bn.

The keys to modern corporate "learning" and transformation, said Stone, were: to become even more "customer-driven" and quality-focused; to stimulate innovation throughout the company; to measure corporate and individual performance on every possible dimension; to "manage backwards" from the future, rather than short-term; to simplify structures and processes; and, above all, to foster a process of "creative discontent" within the company.

In his down-to-earth Midwest language, Stone concluded to loud applause that "if you want to be content you should be a dog".

PEOPLE

Sir John Banham to chair Tarmac

After 15 years at the helm, Sir Eric Pountain, the colourful Black Country businessman who led Tarmac through the 1980s, is stepping down as chairman of Britain's biggest housebuilder.

He will be succeeded by Sir John Banham, chairman of the Local Government Commission for England and a former director-general of the CBI.

Sir John, 53, became Tarmac's deputy chairman yesterday and will take over from Sir Eric, just 60, early next year.

Along with Graeme Odgers and Bryan Baker, Sir Eric built Tarmac into one of the best-managed and biggest companies in its field in the early 1980s, having taken over as chief executive in 1979 and become chairman shortly afterwards.

But Tarmac's fast growth strategy faltered with the onset of the recession in the UK and US, and Tarmac was left exposed to the collapse of house prices and sales.

Early last year Sir Eric agreed to relinquish day-to-day running of the group to Neville Simms, who was appointed Tarmac's chief executive.

Sir John, who started his career in the Foreign Office in 1962, had been widely tipped as Sir Eric's successor. After joining McKinsey & Co in 1965, he gained wide industrial experience in the US and UK over the next decade before becoming the first Controller of the Audit Commission when it was established in early 1983.

He has had long-standing interests in the area of housing, from his time at the Audit



Commission on education, housing and social services, and in transport infrastructure, for which he was a leading advocate of increased investment while director-general of the CBI.

Yesterday he said it was "a great privilege" to take over from Sir Eric "during whose chairmanship Tarmac's market capitalisation increased tenfold".

MD for FT

Former Reuter and Financial Times journalist John Makinson is to become managing director of The Financial Times next spring.

He will be responsible for the production, distribution and marketing of the paper worldwide and will report to chief executive David Bell who himself was a journalist on the FT for much of his career.

At the moment, Makinson, who is 38, is one of five partners of Makinson Cowell, an independent consultancy which advises 23 British companies, all with capitalisation larger than £1bn, on their relations with the financial community. One of its clients is Pearson, owner of the FT.

Makinson admits that the transition back to employee



status might be difficult but says "it was just such an exciting opportunity." But, he adds: "I was not looking for a job; I was approached by David Bell."

While at the FT, Makinson was approached about a job with a large company and asked Maurice Saatchi to give him a reference.

Instead, Saatchi appointed him executive vice president of Saatchi & Saatchi's US holding company and he stayed with that company until setting up his own consultancy in 1989.

He will probably sell his stake in Makinson Cowell after he has discussed the situation with his partners.

Makinson is a graduate in English and History from Cambridge.

Nick Whitney, chief executive of Hoare Govett, is also taking on responsibility for ABN AMRO global equity network. Nick Bannister joins from UBS Securities as deputy chief executive of the network and head of UK equities.

Nigel Hugh-Smith becomes head of global research and Simon Clegg becomes corporate development and planning director.

Charkham's "rigorous" appraisal

"Mr Corporate Governance" Jonathan Charkham, member of the Cadbury Committee, first director of Pro Ned and author of a yet to appear but no doubt worthy book on corporate good practice, has been appointed a non-executive director of CrestaCare, the nursing home group. This is the second such job he has picked up since retiring from being adviser on industry to the governor of the Bank of England in June. The first was with Great Universal Stores, rather larger than CrestaCare.

Indeed, his appointment must be something of a coup for CrestaCare, which has seen its share of governance changes lately with both a new chairman and chief executive in recent months. Current holder of the latter post Andrew Tsee, who joined in March after ousting John McAllister from the job, says Charkham put CrestaCare through a "rigorous" appraisal before accepting.

He apparently approved Tsee's fixed, three year, £150,000 a year contract. McAllister, who had a three year rolling contract at £100,000 a year, is thought to have received £300,000 compensation. Charkham will chair the audit committee and sit on the remuneration committee.

Charkham, a barrister by training, has also served on the committee of corporate governance in the National Health Service, which will be handy experience at CrestaCare many of whose patients come from the NHS.

Scott Svenson is appointed director in charge of strategic development and corporate finance; he joins from Apex Partners.

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BUSINESS AND THE ENVIRONMENT

Years of mining lignite have left eastern Germany with a severe pollution problem, says Judy Dempsey

Cleaning up after the Party



The authorities face the challenge of reclaiming and cultivating the land around the obsolescent lignite mines after they close

Nobody said it was going to be easy. Nobody said it would be cheap. Everybody agreed it was a mess. Cleaning up eastern Germany after 40 years of communist rule and, before that, several decades of rapid industrialisation presents an enormous challenge to the German authorities.

One of the main challenges is healing the damage caused by extensive brown coal (lignite) mining. Vast areas of landscape were scarred by opencast mining and the air polluted as the fuel was burned in power plants.

Until 1990, lignite mining affected 1,280 sq km, or 1.2 per cent of the land area of eastern Germany. These sites, containing a high level of sulphuric acid, were one of the main sources of eastern Germany's high levels of water and air pollution.

The enormous range of measures needed to clean up the mess left by mining and other economic activities in eastern Germany was summed up in the basic targets set out by Germany's environment ministry in November 1990, a few months after unification. The paper listed tasks that required immediate action:

- Construction or modernisation of 35 municipal and 24 industrial waste treatment plants in the Elbe region; and construction of 27 sewage treatment plants near the Baltic Sea and the Oder and Neisse rivers;
- Construction of 6,200 km of new sewers and modernisation of 5,000 km of old sewers;
- Modernisation of 278 outdated plants - including 10 lignite burning power stations - 142 industrial power stations and 126 heating plants;
- Establishment of 10 hazardous waste treatment sites;
- Construction of five thermal units for the treatment of contaminated soils.

The extent of these plans shows how damaging an impact industrial, water and air pollution had on the country as a result of the neglect of the infrastructure.

Over the years, chemical plants were located around some of the opencast mines in what are now the states of Brandenburg, Saxony and Saxony-Anhalt. The brown coal could then be transported quickly and easily to industry, which could in turn dump its waste in exhausted pits or huge landfills.

In the process of extracting the brown coal, the engineers strip-mined. The idea was to pump water out of the soil in order to get at the lignite. The problem was that once the mines were exhausted, the unchecked water levels rose. As this happened, the water soaked through layers of sulphuric acid or through waste dumped by local industry. Once the water reached

the surface, it flowed into the rivers, streams and often the domestic water supplies.

The task now facing the states and the federal government is how to close down some of the obsolescent lignite mines with the aim of making the surrounding land fit again for cultivation. Both parties, and the Treuhand, the agency charged with privatising and restructuring east German industry, have embarked on a long-term policy which will lead to land reclamation, as well as short-term job creation. As ever, the problem lies in the cost.

In March, the federal government and the Treuhand put together a financial package to tackle these issues. The government will provide 60 per cent and the states 40 per cent of the cost of cleaning up "local levels of contamination" or cases which do not endanger life. For the more difficult and often hazardous projects, such as cleaning up the brown coal and chemical sectors, the government will provide 75 per cent of the cost and the states 25 per cent. The total cost, spread

over five years, will be at least DM15bn (\$9bn).

Yet, now that some of the financing has been arranged, Heiner Bonnenberg, one of the Treuhand's main experts on reclamation, says the costs for cleaning up eastern Germany are not as high as first estimated. In fact, he believes they

'We could not ask the investor to pick up the environmental liabilities. At that rate, nothing would be privatised'

were often distorted, partly so that investors, or their consultants, could exaggerate the environmental hazards in order to beat down the Treuhand's selling price.

"Of course, we could not ask the investor to pick up the environmental liabilities. At that rate, nothing would be privatised," he says. Yet he and his colleagues believe that

unrealistically high costs of environmental liabilities were built into the balance sheets.

To prove his point, Bonnenberg says the Treuhand had been allocated DM800m this year for cleaning up industry, excluding brown coal. "We have used only DM200m, partly because the clean-up is not as bad as we thought, and also the states, which initiate the instructions for the clean-up, have not actually asked us to press ahead," he explained.

But it is not as clear-cut as that. On the one hand, the visible effects of environmental damage have sharply decreased throughout eastern Germany as a result of the collapse of its industry, so perhaps the sense of urgency has faded correspondingly among the states.

On the other hand, many states either have difficulties raising their share of the costs for the clean-up or simply do not have the personnel to evaluate the extent of the environmental damage.

However this may be, the states have a political interest in land reclamation. Since many brown coal

fields will soon be shut, the unemployment rate will increase. Before 1989, for instance, the fields of Laubag in Brandenburg, and Mibrag in Saxony-Anhalt, together employed more than 100,000 people. By next year, they will employ fewer than 30,000.

To counter the effects of rising unemployment, the federal government has devised a programme in which former mining employees will be redeployed in job-creation schemes to gradually shut down the mines.

"Closing a mine is not as easy as you think. It is a very expensive undertaking," says Heilmut Ballon, one of the senior Treuhand officials responsible for privatising coal. "Germany's Mining Inspectorate, which oversees the running and closure of mines, has very strict regulations for shutting mines. It is in our interests to meet them. We cannot sell the land until we have met all the requirements needed to reclaim or recultivate the land," he explained.

Inevitably, the cost of reclamation indirectly impinges on the selling price of mines which will be used for some time yet. Ballon cited the cases of Laubag and Mibrag: "For each tonne of coal these mines sell, we must put some money aside for rehabilitation, otherwise the mines will never be released from their duties by the Mining Inspectorate. Of course, all burdens of rehabilitation will be left with us. If we consider the category of danger to human life, we reckon we will need about DM2bn to cover the worst environmental aspects of rehabilitating the areas surrounding these mines."

During the next five years, the Treuhand will spend DM1.5bn a year to rid the mines of the most dangerous environmental damage. With the co-operation of the states, it will employ 15,000 people on this, albeit on lower incomes.

The scheme has two functions: it will deal as rapidly as possible with the worst dangers that attend mine closures, such as the rise in the level of contaminated water and it will provide temporary employment of up to three years for each person.

The results of cleaning up contaminated land can be seen in the Ruhr region in western Germany. Once the heartland of Germany's pre- and post-war industry, it has been transformed into a services sector and partial tourist attraction, helped by lakes formed with the water pumped out of the closed mines.

Officials in Leipzig, the capital of the east German state of Saxony, want its surroundings to resemble the Ruhr, once the old mines are closed. There is even talk of Leipzig trying for the Olympic games some time in the next 20 years.

How green is my superstore?

Shopping can be a waste of energy, reports Victoria Griffith

The concept of "environmental architecture" has invaded offices around the US, although developers, architects and environmentalists disagree over what the term really means. To some, the concept involves buildings which use recycled materials and contain energy-saving features. To others, it has far more to do with a building's location.

Wal-Mart, one of the largest retail groups in the US, has somehow landed at the centre of the debate. A few months ago, the successful discount chain opened a new store, dubbed the Eco-Mart, in Lawrence, Kansas.

The store incorporated a number of innovative ideas, including an air-conditioning system which uses no CFC-based refrigerants, a solar-lit sign at the entrance, an environmental education centre and a community recycling centre. Even the car-park was paved with recycled asphalt.

Not all environmentalists are convinced that the Eco-Mart is a positive trend. Activists in the state of Vermont, for example, are opposing the construction of Wal-Marts on the outskirts of two communities on the grounds that their very presence is anti-environmental.

At the heart of the controversy is environmentalists' fear that the new stores will add to city sprawl and increase Vermonters' dependence on their cars.

"It does no good to call a building 'energy-efficient' if people have to expend a lot of energy to get there," says Gerald Tarrent, the lawyer for the citizens group opposing the construction of the Wal-Mart in the town of Williston.

Some ecologists, however, land Wal-Mart's decision to build an environmentally sensitive prototype. "We would prefer to see the Wal-Marts located on other sites, but you can't just throw up your hands and say you don't want to work with any groups which locate outside city centres," says Meredith Miller, senior programme manager at the Center for Resource

Management, an environmental group which advised Wal-Mart on the project. "At least it's a step in the right direction. They set an example for other retailers to follow."

The Wal-Mart chain is bearing the brunt of growing frustration at the rapid multiplication of shopping malls in the US.

"Environmentalists have been slow to pick up on the issue of sprawl, but they are beginning to realise this is fundamental to the preservation of natural areas," says Stephen Young, Vermont state representative for the National Audubon Society, the environmental advocacy group. "The best friend to the countryside is a strong, dense city or village centre."

The debate is especially acrimonious because it calls into question the suburban way of life in America. Suburb-to-suburb commuting and shopping is a growing phenomenon. Since most public transport has been planned solely to move people to and from town centres, rather than between suburbs, these commuters are forced to rely on automobiles.

Some architects are seeking to change these patterns with new "village-style" designs, which aim to cut down on automobile use. The architectural firm Duany & Plater-Zyberk, for instance, has gained fame for the Florida community of Seaside. The place follows the pattern of a European-style village, where people live, work and shop, with houses fitting tightly around a strong retail centre.

Seaside has proved so popular that the firm has designed 70 similar communities around the country. Duany & Plater-Zyberk says the Seaside model does not intend to solve all the problems of city and suburban sprawl.

However, its popularity highlights the growing concern about excessive car use. With environmentalists stressing the issue, developers, architects, retailers and restaurant chains may all be forced to pay more attention to location when they consider ecologically sensitive constructions.

BUSINESSFIRST

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Edward Mortimer



"The UK government said last night its forces would fire on civilians being used by IRA gunmen as 'human shields', despite casualties among women and children on Thursday when British helicopters fired into a crowd."

Just imagine the worldwide outcry that would greet that news item. Imagine, especially, the storm of indignation that would sweep across the US. It would surely end, once and for all, any talk of a "special relationship" between the UK and the US.

Now read the item again, substituting "United Nations" for "UK government" and "Somali militiamen" for "IRA gunmen". I did not make it up. It was the opening sentence of a report from the FT's Africa correspondent, published 10 days ago.

I tried this trick on several US officials and commentators in Washington and New York last week. Needless to say, they did not like the analogy, but they floundered somewhat in trying to explain what was wrong with it.

"But in Northern Ireland you'd be killing your own people, your kith and kin," said one. "Aha," I replied, "so is it perhaps their skin colour that makes Somali women and children expendable? If so, won't black American leaders soon have something to say about it?"

Apparently not. Black leaders were to the fore in urging the US to go in and save Somalia from starvation, complaining that the UN had become exclusively obsessed with a "white man's war" in Yugoslavia. Therefore, I was told, they are not well placed to call for a pull-out now.

War and "warlordism" - disrupting the production and distribution of food - were the main causes of famine in Somalia. Everyone seems to agree about that. That is why armed intervention was deemed necessary to end the famine. The first UN force (Unosom I), dispatched in August 1992 to supervise and protect food deliveries, failed to overawe the warlords. So in December a stronger force (Unosom II) was sent in, authorised by the UN Security Council but under US command.

Initially the US wanted to

Africa's lunatic asylum

US ends in Somalia are admirable, but do not justify the means

concentrate only on food deliveries. It was the UN secretary-general, Boutros Boutros Ghali, who insisted that the warlords must be disarmed at the same time if the operation was to have any lasting effect.

By the time the US command handed over to the second UN force (Unosom II) in May, the US had come round fully to Mr Boutros Ghali's view. In fact the US view now seems to be that all remaining problems in Somalia are the fault of one particular warlord, General

The UN is identified with a peculiarly American modus operandi

Mohammed Farah Aideed. "On food, we have done very well," said US defence secretary Les Aspin on August 27. "On security, we have made progress," Somalia, he said, is now "generally peaceful", except for south Mogadishu, the Aideed stronghold. "The danger now is that unless we return security to south Mogadishu, political chaos will follow the UN withdrawal... The danger is that the situation will return to what existed before the US sent in the troops."

The US retains two separate forces in Somalia. There are logistics troops, which are part of Unosom II and under its commander (who is a Turkish general, but chosen for the job by the chairman of the US joint chiefs of staff, General Colin Powell); and there is the "quick reaction force" (QRF), composed of combat troops which remain under US com-

mand but back up the UN force when necessary, at the request of the UN special representative (who is another American, Admiral Jonathan Howe). It is the QRF which retaliates when UN troops are ambushed or fired on by General Aideed's forces, and which, therefore, has inflicted most of the casualties on Somali civilians.

This complex command structure results from the unwillingness of the US to do what every other contributor to UN forces has to do, namely place its combat troops under a commander of another nationality. Presidential Decision 13, which is supposed to define the availability of US forces for UN peacekeeping and other duties, has been held up by prolonged argument within the administration on this very point.

In the case of Bosnia, President Bill Clinton has insisted that if US troops do go in to help enforce a peace agreement they will do so under Nato and not UN command. (His aides say it is agreed within Nato that the French General, Jean Cot, who commands the present UN force in Bosnia, would also command the Nato troops; but it remains to be seen whether Mr Clinton is really prepared to try and sell that arrangement to Congress.) Meanwhile, the arrangements in Somalia ensure that the UN is identified, in the eyes of local opinion and of the world, with a peculiarly American modus operandi.

Somalia is not another Vietnam, or even another Panama; still less another Gulf war. It is like a grotesque re-enactment of all those by the inmates of a small lunatic asylum (on the lines of the French revolution as portrayed in Peter Weiss's play *Marat-Sade*). The objectives are admirable, and in this case unstained by any discernible US national interest. But several hallowed American principles are at stake:

● The battle is one of good against evil, and evil has to be incarnate in one man (Gaddafi, Noriega, Saddam and now Aideed).

● US casualties must be as low as possible, but US military superiority must make itself felt, no matter how great the "collateral damage".

● Any attempt at a negotiated solution constitutes "appeasement", if not "betrayal".

● Whoever questions the method is assumed to be urging abandonment of the entire enterprise.

When Mr John MacGregor, the UK transport secretary, published proposals in the spring to charge motorists for using Britain's motorways, many Conservative backbenchers thought a public relations disaster was in the making. Like rail privatisation and talk of cuts in pension provision, the plan seemed set to alienate Tory supporters and add further to the government's unpopularity.

Yet now that the consultation period on the green paper has ended, Mr MacGregor appears to have won unexpected support for his proposals.

The Confederation of British Industry, the Freight Transport Association and motorists' organisations have all accepted the principle of motorway charges - though with differing degrees of enthusiasm. The CBI has reversed its previous opposition to road charging, even though it estimates that motorway tolls would add as much as £300m a year to business costs. This would be outweighed by the benefits of reduced congestion and easier access to customers and suppliers, the CBI believes.

The Freight Transport Association, representing 12,000 companies in the freight transport and distribution business, says it is prepared to accept motorway charging as the only way of raising sufficient finance for improving the motorway and trunk road network.

"We're prepared to put our money where our mouth is," says the association's Mr John Gutteridge.

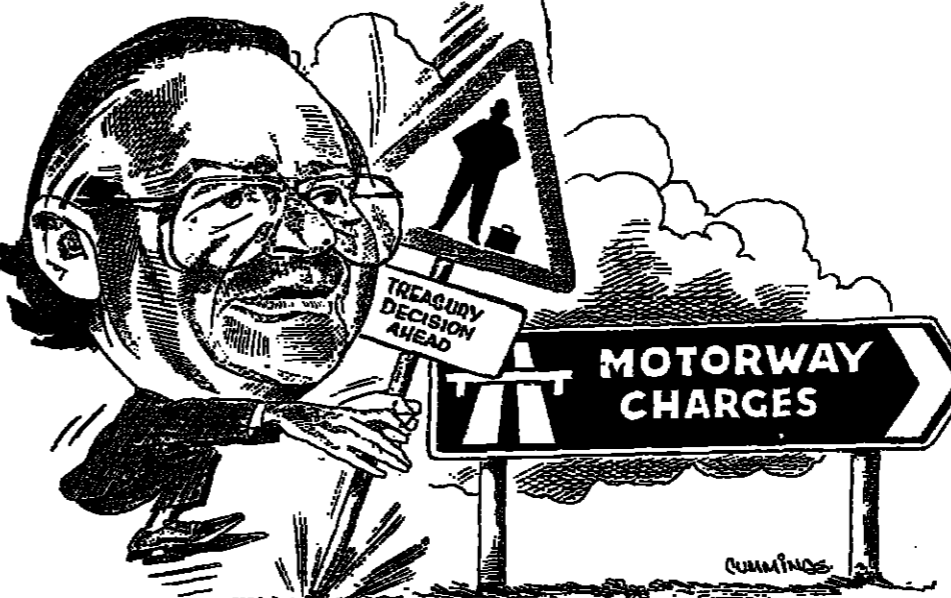
Even the two large motoring organisations, the Automobile Association and the RAC, accept the case for charging. Both acknowledge the opposition of their 13m members to paying motorway tolls, but say they will not oppose charging provided it is examined in the context of all motoring taxation. The RAC suggests that a reduction in other motoring taxes such as vehicle excise duty could ease the initial impact of road charging and win acceptance.

All the organisations prepared to comply with motorway charging do so largely because they accept the premise of the government's green paper that the public purse is not deep enough to build the new road capacity needed to accommodate the doubling of traffic by 2025.

This argument has encouraged other countries to adopt

Charging for UK road use has attracted support, write John Willman and Charles Batchelor

MacGregor gets show on the road



forms of road charging to fund new roads and reduce congestion, as Mr MacGregor has discovered in recent overseas trips. In May he visited Norway and Sweden to look at experiments in urban road pricing and last week he visited the US to look at several toll road projects.

If any nation could be expected to resist the introduction of paying for roads it should be the US, where cheap motoring and the "car culture" are deeply embedded. Even the terminology the Americans use to describe their highways - freeways - suggests an unrestricted and uncosted freedom to drive. Yet Mr MacGregor found a surprising willingness to accept tolling in response to increasing congestion on suburban freeways and pressures on trunk road budgets.

At Harris county in Texas, which includes Houston, he saw two toll roads built by the county after residents voted seven to three in favour of tolls. One, the Hardy Toll Road, links the airport to the town centre; the other, the Sam Houston Tollway, is part of an outer city ring-road. The Federal Highway Administration in Washington, which is responsible for 45,000 miles of interstate highways, is also encouraging toll road construction.

"It is the only way to speed up our road-building programme," commented Mr Gary Maring, head of the transport studies division.

Federal, state and local authorities currently spend \$83bn a year on road building

and maintenance, funded largely through an 11.5 cent tax on a gallon of petrol. "But we found these resources didn't meet our needs," said Mr Maring.

Pressure on revenues prompted legislation in 1987, allowing demonstration toll programmes in seven states. In 1991 this was extended to allow all states to charge tolls on new or reconstructed roads and bridges.

"We see toll roads as a supplemental finance mechanism and not as a replacement for the basic idea of funding road building through fuel tax," said Mr Maring.

Increasingly, electronic tolling is used globally to collect road charges. In Harris county, tolls were initially collected at manned and automatic toll booths but the county is now moving to electronic tolling.

Motorists carry an electronic tag on their windscreen. This is read as the vehicle passes through the toll plaza and the driver's bank account or charge card is automatically debited. Up to 1,900 vehicles an hour can pass through the electronic toll gates compared with just 350 when an attendant collects the money.

Motorists have been encouraged to sign up for Houston's tag system by a reduction in the standard toll from \$1 to 75 cents, explained Mr Chuck Reedstrom, revenues manager of the Harris County Toll Road Authority. Some 17,000 motorists are now registered for electronic tolling and new subscribers are signing up at the rate of 1,000 a month.

Mr MacGregor's preference is for some form of electronic

charging system for UK motorways. "It is fairly clear that in the long run tolling has to be electronic," he said during the US trip.

He will find support for this view when he and officials come to read the responses to his green paper on motorway charging. A strong advantage of electronic charging, according to these submissions, is that charges can vary with time and place of use to relieve congestion and encourage off-peak journeys.

However, the necessary technology for electronic tolling across the UK motorway system would take some time to install. To bridge the gap until then, Mr MacGregor has suggested a system of motorway permits, similar to the vignette system in Switzerland that requires motorway users to display an annual permit bought from post offices or petrol stations.

The bad news for Mr MacGregor is that there appears to be little support for a permit system as an interim step. Responses to his green paper say that it would be expensive to administer and difficult to enforce. They also point out that the cost bears no relation to use - indeed, permits might encourage motorists to increase their use of motorways to get the most from the cost.

There is also concern that tolls should supplement rather than replace existing Treasury finance for road-building and maintenance. The CBI, the Freight Transport Association and the motoring organisations all insist that toll revenues should be spent on improving the motorway and trunk road network, and that this money should be additional to the £1.7bn a year the government currently spends.

Mr MacGregor may find that clearing this hurdle is somewhat harder than winning support for the principle of motorway charging. The Treasury has long been implacably opposed to the idea that any form of government revenue should be "hypothecated" to particular types of expenditure. It is also unwilling to guarantee any particular level of finance beyond the current public expenditure plans.

However, persuading the Treasury to overcome its traditional stance on these issues may be the only way of keeping the public support for motorway charging that Mr MacGregor has succeeded in establishing.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Fallacy of common-market exchange rates

From Sir Alan Walters.

Sir, Professors Eichengreen and Wyplosz emphasise that "if Europe fails to restore exchange rate stability it will fail to complete the single market" (Personal View, September 17). I do not know whether the common market will ever be "completed", but it is perfectly clear that exchange rate stability, whatever that means, is not even a necessary, let alone sufficient, condition

for a common market.

From 1901 to 1944 England and Scotland enjoyed a common market, even economic union, yet the exchange rate of the various Scottish currencies fluctuated freely against the pound sterling.

And today in North America, between Canada and the US, there is a close approximation to the ideal of a common market, soon to be "completed", yet there is no fixed or pegged

Canadian dollar to the greenback, nor has anyone suggested that the North American Free Trade Agreement requires pegged rates or a Namu (North American Monetary Union). Nor does the lack of stability of the Canadian dollar seem to have inhibited economic integration within North America. Canadian-US trade flows are the largest in the world. It is odd that Eichengreen

and Wyplosz, in pursuit of a common market, propose to put taxes on capital movements within that market in order to defend pegged nominal exchange rates. Is the common market to be "completed" by tariffs on capital?

Alan Walters, AIG Trading Corporation, 1200 19th Street, NW, Suite 605, Washington DC20036, US

More tales of unseated diplomat

From Ms Margaret Anstee.

Sir, Like your correspondent, Philip Whiteley (Letters, September 14), and as a future neighbour of the Bolivian naval base at Titicaca, on Lake Titicaca, I, too, enjoyed Christina Lamb's dispatch ("The Navy lark", September 11/12).

Some variations on the story behind Queen Victoria's demand that Bolivia be expunged from British maps are even more curious than that recounted by Mr Whiteley. The reason for the British ambassador being ignominiously removed from La Paz, tied backwards on a donkey, is said to have been his refusal to accede to President Malgarejo's insistence that the diplomatic corps drink from the same bowl as his favourite horse, Holofernes, which regularly attended the bibulous banquets frequently offered at the palace.

Queen Victoria's initial reaction is alleged to have been "send in the navy". It was on being told that Bolivia was a landlocked country that she changed the punishment to deletion from the map.

As I pointed out in my book, "Gate of the Sun", however, this must be an apocryphal story since Bolivia had not then lost its coastline, an event that happened a few years later.

Margaret J Anstee, former special representative of the United Nations secretary-general, Villa Margaria, San Pedro de Tequisima, Lake Titicaca, Bolivia

Accounts must be given real meaning

From P C Le Mesurier.

Sir, In his article (Accountancy Column, September 16) claiming that the Accounting Standards Board may be going in the wrong direction in trying to put more meaning back into the balance sheet, Mr Ron Paterson of Ernst & Young makes the curious statement: "At best, accounts can be expected to present only a rather stylised model of a company's financial affairs."

How on earth can this possibly be squared with the Companies Act requirement that auditors assure shareholders that the balance sheet gives a true and fair view of the state of affairs of a company?

Shareholders are entitled to expect that balance sheets do present such a view. If, in fact, the auditors regard such reports as merely a coded statement of something quite different, which they expect shareholders to understand, it is little wonder that a so-called "expectations gap" has developed. The puzzle is why Mr Paterson is not suggesting that the format for the auditor's report be changed to state what he appears to believe, namely: "In our opinion, the accounts give a stylised model of the company's financial affairs which, at best, may be true and fair."

It seems to me that the

Accounting Standards Board should be encouraged to continue its efforts with the aim of converting balance sheets into documents which can genuinely be regarded as giving the shareholders a proper view of the state of affairs of companies, while at the same time ensuring that profit and loss accounts give shareholders a proper view of the profits. Mr Paterson's article seems to imply that the two are incompatible which cannot possibly be the case.

P C Le Mesurier, Wimblesley, The Drive, Godalming, Surrey GU7 1PD

Prices spiral must not be allowed to return

From Mr Robin Abbi.

Sir, I was disturbed to read that Nigel Rudd, chairman of Williams Holdings, blames the low inflationary environment for making it difficult for him to increase prices ("Markets ground on a reef of cautious results", September 20). Isn't that the whole idea?

Are we not trying to build a stronger economy by forcing

businesses to achieve profit growth through improvements in productivity, quality and design? Has the strategy of trying to raise prices faster than everyone else not been likened to a dog chasing its tail enough times for people to see it for the fraud that it is?

Let lower inflation give Mr Rudd confidence to invest in the future by being able to

budget for costs with greater certainty, and let his businesses succeed through value added from investments in training and technology. The ridiculous situation of raising prices to combat rising prices must not be allowed to return.

Robin Abbi, 4 Jerome Court, The Limes Avenue, London N11 1RF

Default less likely with clearing house agreement

From Mr Joseph Rosen.

Sir, While your Risk and Reward column of September 13 ("Divisions hazy in OTC derivatives clearing debate") was as usual both timely and informative, some flawed and spurious logic has apparently crept in.

The article refers to the risks relating to bank deposit guarantee schemes. Similarly it suggests, in a clearing house agreement, "low-rated banks

could be given excessively large credit lines by other banks because they know they do not have to worry about credit". This shows either a lack of understanding of how clearing houses work or naivety over how important credit risk is to clearing members.

For the argument to make any sense one must assume that clearing houses and/or clearing member firms are unconcerned with the credit-

worthiness of their members and customers. This is highly unlikely, given that the raison d'être of a clearing house is to centralise credit risk in one entity that intensely scrutinises and works to minimise the likelihood of counterparty defaults.

Joseph Rosen, managing director, Enterprise Technology Corp, 305 Madison Avenue, New York, US

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FINANCIAL TIMES COMPANIES & MARKETS

Wednesday September 22 1993

OVERSEAS MOVING
BY MICHAEL GERSON
081-446 1300



INSIDE

Pechiney falls into FFr397m loss

Pechiney, the state-controlled French aluminium group, yesterday announced net losses of FFr397m (\$70m) in the first six months of the year compared with net profits of FFr782m in the same period in 1992. It blamed European recession and the depressed state of the aluminium market. Page 20

Uphaval for health insurers

The planned Clinton healthcare revolution, to be unveiled officially tonight, will take the control of underwriting away from US health insurers who will also lose the power to refuse cover to people they consider to be bad risks, or even to charge them a higher premium. Page 21

Jardine Matheson rises 14%

Jardine Matheson Holdings, the Hong Kong trading and investment company, has reported a 14 per cent rise in first-half profits to \$173.8m. Its managing director, Mr Nigel Rich has resigned and will be replaced by Alexander Morrison, managing director of Hongkong Land. Jardine's property investment arm. Page 22

Hays warns of slow recovery

Hays, the business services group, reported a 20 per cent increase in annual profits, but warned that "the climb out of recession looks as if it will be long and slow". Pre-tax profits rose from \$55.6m to \$66.6m (\$102m) in the year to June 30, on sales which grew from \$380m to \$477m. Page 24

Mucklow ends growth run

A&J Mucklow Group, the West Midlands based property investor and developer, has after 24 years of unbroken profits growth succumbed to recessionary pressures by reporting an 11 per cent fall in pre-tax profits to \$9.67m (\$14.9m) for the year ended June 30. Page 25

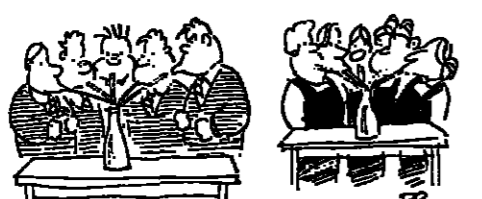
Yule Catto in first rights issue

Yule Catto, the industrial chemicals group, is to raise \$29.7m (\$45.6m) through its first rights issue to buy 50 per cent of a German synthetic rubber latex company and to reduce debt. Page 26

Starlin reappointment backed

Shareholders of Starlin, the loss-making UK quarry products company, yesterday backed the reappointment of a director who is considering taking legal action against the company. Page 26

Losing their bottle



EC agriculture ministers yesterday decided to cut back from next year an expensive subsidy on school milk for 31m school children across the community. Page 28

German car stocks move market

Germany's DAX index closed 13.01 higher at 1,925.85 but one analyst said that there would have been little volume at all over the past three days if Daimler, Deutsche Bank and Siemens had been excluded. Back Page

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Chief price changes yesterday

FRANKFURT (DM)		PARIS (FFr)	
Rhein	304 + 19	Rhein	1220 + 28
Continental	786.7 + 20.7	Continental	548 + 10
Industrielle	348 + 12.5	Pella	512 + 18
Mercator	782.2 + 20.5	Carat Plus	1207 + 23
Vita	424.3 + 6.3	Lafarge Ceres	410 + 12
Wolfs	525 + 11	Sole Invest	372 + 15
NEW YORK (\$)		TOKYO (Yen)	
Rhein	74 + 3	Hazama	462 + 14
Paramount	61 + 2	Kumagai	547 + 26
Peter	79 + 2	John Sato	1020 + 151
Pella	70 + 2	Pioneer Elec	2750 + 150
Continental	70 + 2	Pella	641 + 24
Quality Food	28 + 2	Michelin Plastic	530 + 19
Tambrands	61 + 2		
Viacom	57 + 1		

New York prices at 12.00

LONDON (Pence)		DUBLIN (Pence)	
Rhein	113 + 7	CrestCare	37 + 5
Continental	855 + 17	Continental	630 + 12
Continental	567 + 14	Harris (P)	154 + 50
Continental	75 + 6	JIB Group	169 + 7
Continental	135 + 8	Nave	41 + 30
Continental	193 + 7	Sagasco	1910 + 17
Continental	254 + 8	Schroder	1265 + 55
Continental	191 + 8	Vodafone	492 + 11
Continental	915 + 20	Yule Catto	259 + 18

Japanese brokers cut profit forecasts

By Robert Thomson in Tokyo

JAPAN'S leading brokers were forced yesterday to revise their earnings forecasts. Nomura Securities, the largest house, cut its expected pre-tax profit from ¥35bn to ¥25bn (\$240m) for the half-year to the end of this month.

The brokers complained of weaker-than-expected commissions on the Tokyo market, where the daily value of turnover has been 10 per cent below expectations, and the Nikkei index has hovered just above the 20,000 mark.

Of the 14 largest brokers, 12 have revised forecasts. Daiwa Securities was the exception among the Big Four houses, maintaining its pre-tax interim forecast at ¥30bn, having apparently increased bond commissions to compensate for the stock market's weakness.

The other company not to make an announcement was Cosmo Securities, the second-tier broker to be rescued by Daiwa Bank. Cosmo, crippled by losses from the unauthorised shifting of stocks from client account to account, is expecting a pre-tax loss of ¥2bn.

Brokers say although they are over the worst of the damage suffered during the stock market collapse, nervousness remains about the health of the Nikkei index, which hit 14,309.41 last August after peaking at 38,915.87 in late 1989.

The 10 second-tier brokers are still under extreme pressure, and will need to cut costs in coming months. Only three - Kokusai Securities, New Japan Securities, and Wako Securities - are expecting to record a pre-tax profit in the first half.

The largest losses are expected at Sanyo Securities (¥5.7bn) and Kankaku Securities (¥5.6bn). Meanwhile, Kokusai Securities, closely linked to Nomura, forecast the largest pre-tax profit, ¥4.5bn, among the second-tier houses.

Most brokers are still trying to cut personnel, but have been restrained by the lifetime employment system in Japan. The Big Four are generally in better shape than a year ago, but will need to shed further employees to improve profitability.

Of the larger houses, Nikko Securities had the sharpest revision, cutting its pre-tax forecast from an optimistic ¥30bn to ¥10bn. Yamachi Securities, meanwhile, halved its pre-tax forecast from ¥20bn.

French tyre maker swallows FFr2.64bn of rationalisation costs

Michelin falls into loss

By John Ridding in Paris

MICHELIN, the world's largest tyre maker, plunged into a net loss of FFr3.19bn (\$567.8m) in the first six months of the year.

It blamed the recession in European markets and exceptional charges related to an ambitious cost-cutting plan.

The company, one of France's largest industrial groups, said the sharp decline, from net profits of FFr2.83bn in the first half of 1992, largely reflected the impact of a FFr2.64bn provision for a rationalisation programme.

The programme, announced in April, is aimed at cutting costs by FFr3.5bn, or 10 per cent of the total, over the next two years.

"We wanted to remove all uncertainty," said Mr Eric Bourdais de Charbonniere, the finance director.

He said the group had decided to take all of the restructuring

costs in the first half of the year. Even without the impact of exceptional charges, the group suffered a sharp downturn.

Operating profits declined 71 per cent to FFr783m on sales down 12 per cent to FFr30.62bn. Shares in the group slipped FFr2.7 to FFr174.6.

The fall at the trading level was attributed to the depressed international demand for cars and trucks.

Michelin said the recovery in the US market had not offset a sharp fall in European and Japanese sales.

In the European market alone, car production fell 16 per cent in the first six months. Output of trucks and commercial vehicles fell by about 27 per cent. Britain was the only country to register an improvement.

"We have to be prepared for a long-term crisis," warned Mr Bourdais de Charbonniere. He

said the group's cost-cutting measures - which will reduce the group's workforce to about 122,000 from the current 130,000 by the beginning of 1995 - would strengthen the competitiveness of the group and free cash to cover investments and reduced debts.

In spite of the difficult economic environment, the company would reduce the company's financial charges by about FFr150m, according to the finance director.

Industry analysts said the first-half performance was largely in line with expectations.

However, until consumer confidence improved in Michelin's principal European markets, the outlook for trading would remain gloomy.

The need for the company to reduce stock levels in the second half is also expected to affect capacity utilisation and profitability.

Mr Bourdais de Charbonniere expressed confidence that the group's debts could be main-

Paramount shares soar as investors await bidding war

By Martin Dickson in New York

SHARES in Paramount Communications soared yesterday as Wall Street anticipated a bidding war for the entertainment group following a \$9.5bn hostile offer launched on Monday by QVC Network, the home shopping television group headed by Mr Barry Diller, a leading film industry executive.

QVC's bid topped an agreed bid for Paramount launched on September 12 by Viacom, a cable television service and programming company best known for its MTV pop music channel.

Analysts expected Viacom to improve its offer substantially to remain in the battle and they thought that other US media groups might also enter the fray.

Viacom said acutely that the "marriage of strategic assets of Paramount and Viacom cannot be matched by the combination of Paramount and a shopping service".

However, QVC's bid was helped yesterday by the fact that the company's share price did not drop greatly in morning trading - the first opportunity for the market to express a view on its offer.

By lunchtime QVC stock had regained its early losses and stood at \$56, unchanged, on the Nasdaq over-the-counter market.

That meant that its bid, consisting of \$30 in cash and 0.883 of a share for each Paramount share, was worth \$80, the same price as when it was launched.

Viacom's offer of \$9.10 in cash and a mixture of its stock was worth only \$61.15 at lunchtime, with Viacom's A shares falling 3 1/4 to \$7 and its B shares down \$2 at \$51 1/4. That gave the offer an overall value of \$7.3bn, against \$8.2bn when it was launched.

QVC, with turnover of \$1bn, is smaller than Viacom, which has revenues of around \$2bn, and Paramount, with \$4bn.

Mr Diller, who joined the group as chairman and chief executive nine months ago, has a strong reputation in the entertainment industry and powerful backers. He said a combination of Paramount and QVC rested on "the belief that the future belongs to the people who create the best programming".

Other leading shareholders in QVC are Comcast, a large cable service company, and Liberty Media, a cable programme company spun off from Tele-Communications, the largest US cable service company.

Barry Diller, Page 21; Lex, Page 18



Diller: "The future belongs to those who create the best programming"

Barry Riley

Feeling of betrayal in corporate Germany



Has Daimler-Benz betrayed the rest of the German corporate sector by capitulating to the financial imperialism of the US Securities and Exchange Commission? Many

Justice. At the Copenhagen congress of the European accountants' federation FEE, he said it was an illusion to believe a German company's accounts would be comparable to those of a similar US corporation because they were both drawn up under US GAAP: "the economic, social and legal environment of those enterprises may be so different".

But to Mr Walter Schuetz, chief accountant of the SEC speaking on the same platform, the issues were self-evident. The role of financial reporting, in the words of the US Financial Accounting Standards Board, was to provide "evenhanded, neutral, unbiased information". In the US system, he said, "informa-

tion is king, and also queen". To the SEC, the challenge of the international markets is similar to the challenge it has already faced within US domestic markets over the past 60 years. It has imposed standardised accounting and reporting across different markets to create a rational basis for investor choice.

The parallel development of financial market theory in the US has focused on efficiency of markets and the attainment of equilibrium pricing which supposedly leads to the efficient allocation of capital. Within such a framework there is much emphasis on the heavy trading of shares within liquid markets. The approach, naturally, is eagerly promoted by volume-hungry stockbrokers and

Barry Riley begins a Wednesday column on worldwide investment themes and strategies

Germans have been shocked by the ailing motor and aerospace giant's publication last week of two strikingly different versions of its 1993 first-half figures, a German-style net profit of DM168m (\$67m) and a US-style equivalent net loss of DM949m.

At the last count 557 foreign companies had registered securities with the SEC so that they could be owned and traded by Americans. But in all this selection none is from Germany.

However, on October 5 Daimler-Benz is due to list its shares on the New York Stock Exchange. It will be able to do so because it has agreed to recast its financial statements in accordance with US generally accepted accounting principles (GAAP).

For the German corporate establishment this has been quite a snub. For many years the Germans have been fighting a rear-guard action to protect their own financial reporting methods, which are highly conservative and legalistic. They are at the other end of the spectrum from the judgmental and potentially more realistic "true and fair" British accounts ("potentially" because it is prudent to be modest on the day of the Spring Ram results).

The German view of this was expressed eloquently earlier this month by Mr Herbert Biener, of the German Federal Ministry of

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INTERNATIONAL COMPANIES AND FINANCE

Tambrands stock falls nearly 10%

By Richard Waters in New York

THE share price of Tambrands, the US-based maker of Tampax tampons, dropped by nearly 10 per cent yesterday after an announcement late on Monday that the company's board had abandoned plans for a sale.

The \$4 fall in Tambrands' share price, to \$41.15 yesterday morning, came in spite of an increase in Tambrands' quarterly dividend to 42 cents from 38 cents.

The fall puts the shares back to the level at which they were trading before market speculation about a sale first surfaced in June.

Tambrands has refused in

recent months to confirm that it has been for sale.

However, Mr Howard Wentz, chairman, said yesterday: "As part of a comprehensive review of Tambrands' strategic alternatives, over the last several months we explored the possibility of a sale of the company."

He added that the board had "decided that the best course is to continue to run the business independently."

It is not known whether Tambrands received any offers for the company.

The company, whose chief executive, Mr Martin Emmett, was ousted in June, said it expected to announce new senior management shortly.

Man behind Bart Simpson holds key to QVC bid

Martin Dickson on the choice facing shareholders in the \$9.5bn takeover contest for Paramount

THE \$9.5bn takeover bid launched by QVC Network for Paramount Communications on Monday is riding on the reputation of a single man: Mr Barry Diller, the entertainment industry executive behind television and film hits ranging from *The Simpsons* cartoon series to the *Indiana Jones* adventure movies.

When Mr Diller, one of the most respected figures in Hollywood, took a large personal stake in QVC nine months ago and joined the business as chairman and chief executive, he sparked a remarkable rise in the shares of this humdrum cable television home-shopping company.

Mr Diller made clear not only that he saw an extremely exciting future for home shopping, but that he intended to build QVC into a much broader based company which would capitalise on the vast opportunities of the impending age of interactive multi-media home entertainment.

The bid for Paramount, with assets ranging from the Paramount Pictures film studios to the Prentice Hall book publishing company, represents a huge leap towards Mr Diller's goal.

It has been made possible by the strength of QVC's share price, which rose from around \$38 when Mr Diller came aboard last December to a year's high of \$73 and stood at \$68, unchanged, at lunchtime yesterday.

The hostile QVC offer for Paramount consists largely of stock, with some element of cash - as does that from rival bidder Viacom, the cable business best known for its MTV pop music channel, which made an agreed offer nine days ago.

Wall Street analysts think this is just the start of a bidding war involving these two companies and, possibly, other large US and foreign media groups, which could involve much larger doses of cash.

But for now, the strength of the two bids depends largely on the price Wall Street accords QVC and Viacom shares, and that largely depends on perceptions of the value the bidders would add to the Paramount business.

The 51-year-old Mr Diller has the advantage of one of Hollywood's most distinguished creative talents, having founded a company of his own to run, and after nine months of casting around found it at QVC - a choice which amazed an entertainment

liam Morris talent agency, and then became an agent himself.

He made his name as a programmer at the ABC network in the early 1970s, and from 1974 to 1984 headed the Paramount studios, quitting to join Rupert Murdoch's nascent Fox TV network after repeated

One of the many ironies of the QVC bid for Paramount Communications is the opportunity that it could give Mr Barry Diller to oust Mr Martin Davis, his old adversary.

He left Mr Murdoch's News International empire in February last year, wanting a company of his own to run, and after nine months of casting around found it at QVC - a choice which amazed an entertainment

industry which regarded home shopping as little more than a butt for jokes.

QVC's other leading shareholders are two important cable television companies, Comcast and Liberty Media, which are enthusiastically backing the Paramount bid, pumping \$1bn into QVC through an issue of convertible stock.

QVC runs a 24-hour live cable channel over which it sells goods ranging from jewellery through collectibles to cookware. Mr Diller first gained an insight into its potential when he visited its studios with Diane Von Furstenberg, the fashion designer, who amazed him by selling \$1.2m of dresses in just 100 minutes of airtime.

Futurists have been forecasting for years that home shopping is going to be a huge business, yet throughout the 1980s it failed to take off.

Now, however, Mr Diller may have caught a breaking wave. QVC is already growing strongly, with first-half revenues up 18 per cent to \$382m and underlying earnings up 57 per cent to \$30.9m. Early next year, it will add a new, more contemporary home shopping service, called Q2, to add to

its two shopping and fashion channels.

It is also in the throes of a stock swap merger with its chief rival, Home Shopping Network, QVC, which reaches some 47m US homes, targets the upper end of the market, while Home Shopping, with 60m homes, is more down-market. However, there have been rumblings that some Home Shopping directors are unhappy at the merger terms, and the Paramount bid could sideline this deal. However big the promise of home shopping, it will be just one entertainment/information segment in a multi-media industry which could offer consumers hundreds of television channels.

For all the technological advances which make this possible, the key to attracting viewers will be entertainment "software" of the kind Mr Diller produces so well. Yet Viacom too has shown itself to be on the cutting edge of popular entertainment.

The choice facing Wall Street is between the man behind Bart Simpson and the one ultimately responsible for the latest US teenage fad - two peurile MTV cartoon characters called Beavis and Butt-head.

NEWS DIGEST

Sun Micro and Amdahl form partnership

SUN Microsystems, a leading supplier of workstation computer systems, has entered a strategic alliance with Amdahl, a California technology company specialising in large mainframes, writes Frank McGurty in New York.

The agreement, which involves marketing as well as software development activities, will help both companies shore up areas of weakness. By agreeing to sell Sun's servers - used to link workstations into networks - Amdahl will broaden its product range beyond the mainframe market, which has shown poor growth in recent years.

Sun will gain access to Amdahl's customer base of large companies.

Creditors close in on Curragh

CREDITORS have closed in on Curragh, the Canadian lead-zinc producer, following the company's failure to raise new equity in Europe, writes Robert Gibbons in Montreal.

Curragh, which has been in bankruptcy protection since

April and has closed mines in north-west Canada because of low base metal prices, has been trying to raise up to C\$75m (US\$95m) in new equity since early last year.

Mr Clifford Frame, chairman, negotiated a C\$50m infusion from Korea Zinc and Samsung, but the deal fell through two weeks ago. His attempts to find a white knight in Europe failed last week.

An Ontario court has put Curragh's Faro mine into receivership on behalf of unsecured note-holders owed almost US\$250m. Earlier, the Bank of Nova Scotia was allowed to appoint a receiver for two other mines.

Curragh's coal mine in Nova Scotia may follow into receivership once environmental liabilities are worked out with the provincial government.

Novopharm appeals Zantac ruling

NOVOPHARM, a Toronto-based generic drug maker, said it would appeal the recent US court ruling upholding American patents on Glaxo's ulcer drug, Zantac, writes Robert Gibbons.

Novopharm and another Canadian generic producer argue that Glaxo's two US patents on Zantac, expiring in 1995 and 2002, are really the same and should end in 1995.

Healthcare insurers prepare for a shock to the system

Richard Waters previews a US medical revolution

RUNNING a health insurance company used to be a simple business: you raised premiums each year to match escalating medical costs, and processed mountains of claims.

Not any more. Even before President Bill Clinton's planned healthcare revolution, to be unveiled tonight, the largest US health insurers have been going through a quiet revolution of their own. For those that can stay the course after the shock to the system delivered by the president's plan, that process is likely to accelerate.

Insurers, whose escalating premiums are for most Americans the clearest sign of a medical system out of control, have long been regarded as the villains of the US healthcare industry. That popular perception, they claim, has made them an easy target for politicians.

The Clinton plan will effectively take control of underwriting away from health insurers. According to an early draft of the plan, premium increases will be controlled by a new National Health Board.

Insurers would also lose the power to refuse cover to people they consider to be bad risks, or even to charge them a higher premium. The president's plan envisages a return to "community rating", a system of assessing insurance premiums which insurers have turned their backs on in the past 20 years. This requires good and bad risks to be pooled, with a single premium.

Deprived of control over their pricing and underwriting, the Clinton plan would force the health insurers to look again at their costs, continuing the restructuring that has already been under way.

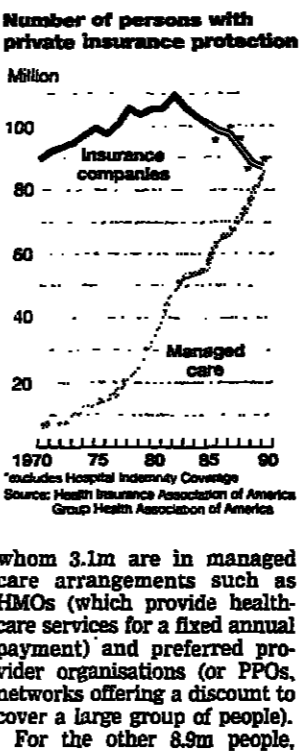
The attack on costs has already turned the big health insurers increasingly into medical delivery companies. This

involves them in everything from making on-site inspections of hospital procedures and providing second opinions on medical conditions, to contracting directly with networks of hospitals and doctors to establish health care networks for their customers.

In this, they have been responding in part to the health maintenance organisations (HMOs) and other managed care providers who have made big inroads into US healthcare. Since the beginning of the 1970s, the number of people covered by managed care arrangements has grown from less than 10m to nearly 90m, rivaling the numbers covered under traditional indemnity insurance plans.

Cigna and Aetna have moved faster in this direction than the three other "big five" health insurers - Prudential, Travelers and Met Life. Aetna, for instance, provides health insurance to 12m people of

whom 3.1m are in managed care arrangements such as HMOs (which provide health care services for a fixed annual payment) and preferred provider organisations (or PPOs, networks offering a discount to cover a large group of people). For the other 8.9m people,



Aetna has been striving to hold costs down by reviewing medical procedures and getting second opinions. The result has been an increase in overhead costs, but falling payments to providers. "For every \$1 you spend, you save between \$4 and \$10," says Mr Will Jones, a director of Aetna's health insurance business.

The move into managed care, combined with three years of sharply rising premiums and slowing inflation in healthcare costs, has made health insurance a profitable business again after losses for much of the 1980s. Cigna will make operating profits of \$400m from the business this year, compared with \$25m at Aetna, estimates Mr Western Hicks, an analyst at Sanford C. Bernstein. At a time when their property/casualty operations are struggling to make a profit, such earnings are bailing out some of the biggest insurance groups.

The regional health alliances, through which all consumers will end up buying

cover, will recommend only a handful of plans in their area: getting on this list will make the difference between securing a large local market and losing out altogether (only companies employing more than 5,000 will be able to buy cover outside the alliances, providing too narrow a market to support many local providers of health plans).

The big insurers, which tend to be thinly spread, could yet be squeezed out of many areas by local HMOs and Blue Cross/Blue Service plans. A large local market share gives a managed care organisation more clout to negotiate with providers, says Mr David Koppe, treasurer of United Healthcare, an HMO which covers 2.3m people. United, one of the largest HMOs, has concentrated on being one of the two biggest providers in the 18 states in which it operates.

In this business, the big insurers have a long way to go. "We don't feel the competition is from the large insurance companies," says Mr Koppe.

There is a limited amount of marketing opportunities available at the conference

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Notice to Holders of
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Reverse Dual-Currency Debentures due 1995 (formerly Reverse Dual-Currency Debentures due 2004)
5 1/4% Bonds 1986-1995 (formerly 5 1/4% Bonds due 2006)
Reverse Dual-Currency Subordinated Debentures due 1998 (formerly Reverse Dual-Currency Subordinated Debentures due 2004)
U.S.\$108,000,000 Floating Rate Subordinated Debentures due 1998 (formerly Floating Rate Subordinated Debentures due July 2005)
U.S.\$80,000,000 Floating Rate Subordinated Debentures due 1998 (formerly Floating Rate Subordinated Debentures due September 2005)
U.S.\$150,000,000 Floating Rate Subordinated Debentures due 1998 (formerly Floating Rate Subordinated Capital Debentures due 2085)

NOTICE IS HEREBY GIVEN that the Plan of Arrangement of Gentra Inc. pursuant to section 192 of the *Canada Business Corporations Act* became effective September 1, 1993. The Plan of Arrangement effects, among other changes, a change in the maturity dates of the above-mentioned Debentures (other than the 4 1/4% Notes due 1993 and the 11 1/4% Debentures due 1994) as referred to above. Holders of the above-mentioned Debentures (other than the 4 1/4% Notes due 1993 and the 5 1/4% Bonds 1986-1995) must exchange their definitive certificates representing such Debentures together with all coupons pertaining thereto, if any, for an interest in a permanent global debenture representing such Debentures before any interest or principal due and payable after September 1, 1993 can be collected. To effect an exchange, holders of such Debentures must access an account with either Euroclear or Cedeal and deposit their definitive certificates together with all unremitted coupons or interest pertaining thereto, if any, with any applicable paying agent for such Debentures.

Holders of the 5 1/4% Bonds due 1995 must submit their definitive certificates representing such Bonds together with all coupons pertaining thereto at the office of any applicable paying agent, to be stamped with a notice regarding the Plan of Arrangement, prior to any payment being made on such Bonds.

September 22, 1993 GENTRA INC.

Notice of Early Redemption in Respect of
Alliance & Leicester Building Society
£112,000,000
Subordinated Floating Rate Notes 1998

NOTICE IS HEREBY GIVEN to the holders of the £112,000,000 Subordinated Floating Rate Notes 1998 (the "Notes") of Alliance & Leicester Building Society (the "Society"), that pursuant to Condition 5.8.1(a) of the Notes, the Society will redeem all of the Notes at their principal amount on the Interest Payment Date falling on 26th October 1993, from which such date interest on the Notes will cease to accrue. Repayment of principal will be made upon presentation and surrender of the Notes, which should be presented with all unremitted coupons appertaining thereto attached, at the office of any of the Paying Agents listed below. Notes and unremitted Coupons will become void unless presented for payment within periods of ten years and five years, respectively, from the Relevant Date in respect thereof.

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L-2520 Luxembourg

Swiss Bank Corporation
Aeschenvorstadt 1
CH-4002 Basle

Bankers Trust Company
Kishimoto Building
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Chiyoda-ku Tokyo 100

Accrued interest due 26th October, 1993 will be paid in the normal manner on or after that date against presentation of Coupon No. 22.

Bankers Trust
Company, London
22nd September, 1993

Agent Bank

COMPAGNIE BANCAIRE

\$300,000,000
Floating rate notes due
1995 Initial Tranche
\$200,000,000

For the interest period
20 September 1993 to 20
December 1993 the notes will
bear interest at 5.5375% per
annum. Interest payable on
20 December 1993 per
\$100,000 note will amount
to \$1,480.31.

Agent: Morgan Guaranty
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NBD BANCORP, INC

US\$100,000,000
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notes due 2005

Notice is hereby given that
for the interest period 22
September 1993 to 22
December 1993 the interest
rate has been fixed at
5.25%. Interest payable on
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amount to US\$132.71 per
US\$100,000 note.

Agent: Morgan Guaranty
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Interest Rate 3.475% per annum

Interest Period 22nd September 1993
22nd March 1994

Interest Amount due
22nd March 1994 per
U.S. \$ 10,000 Note U.S. \$ 174.72
U.S. \$250,000 Note U.S. \$4,367.88

CS FIRST BOSTON
Agent

Province de Québec

Floating Rate Notes Due 1999

Notice is hereby given that for the interest period from September 22, 1993 to September 22, 1993 the Notes will carry an interest rate of 5.8875%. The interest payable on the relevant interest payment date, December 22, 1993 will be \$3,545.475 per \$500,000,000 nominal amount.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
September 22, 1993

Korea Exchange Bank

USD 100,000,000
Floating Rate Notes Due 1997

Interest Rate: 3.79063%
Interest Period: from 22nd
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22nd March 1994

Interest Payable Per
USD 250,000 Note: USD 4,764.61
USD 500,000 Note: USD 9,529.22

By: Fuji Bank (Luxembourg) S.A.
Agent Bank

U.S. \$45,000,000

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For the Interest Period September 22, 1993 to December 22, 1993 the Notes will carry an interest rate of 7.6875% which consists of the Libor Rate 3.1875% plus a Margin of 4.5%. The interest payable on the relevant Interest Payment Date December 22, 1993 will be U.S. \$1,943.23 per U.S. \$100,000 and U.S. \$9,718.15 per U.S. \$500,000.

By: The Chase Manhattan Bank, N.A.
London, Agent Bank
September 22, 1993

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Jardine Matheson chief in surprise resignation

By Simon Davies
in Hong Kong

MR Nigel Rich has resigned as managing director of Jardine Matheson. He will be replaced by Mr Alasdair Morrison, currently managing director of Hong Kong Land Group, Jardine's property investment arm.

Mr Rich had been "taiwan" of Jardine since 1989, taking the helm during a period dominated by politics, as the Jardine group made its attempt to side-step Hong Kong stock market regulations and gain a primary listing in London.

He also led the group's expansion overseas, with Hongkong Land taking a 25 per cent stake in Trafalgar House, the UK construction and property group.

Other notable group deals included Jardine Strategic



Nigel Rich: returning to London next year

Holdings' purchase of a substantial investment in Singapore-listed Cycle and Carriage and a sizeable investment in retail operations in New Zealand, Spain and Singapore by

the group's Dairy Farm arm.

The announcement of his departure, which will take place in March 1994, came as a surprise. However, Mr Rich said he had only wanted to take on the job for five years. "I had always had it in mind that my successor should have a good run in before 1997," he said.

He will return to London in 1994, where there is speculation that he may be offered a role in Trafalgar House.

Mr Morrison has been with the group for 22 years, and had long been seen as the eventual successor to Mr Rich, who had also risen through the ranks of Hongkong Land.

The reshuffle is not expected to lead to any changes in Jardine's management strategy, which is strongly influenced by its largest single shareholder, the Keswick family.

Sagasco rejects A\$760m Boral offer

By Nikki Tait in Sydney

SAGASCO, the owner of South Australia's suburban gas network and various production assets, yesterday said that the A\$760m (US\$495m) bid from Boral, the building materials group, was "not fair and reasonable".

In support of its bid defence, the company released a valuation by Grant Samuel, the merchant bank, which suggested that Sagasco was worth between A\$3.02 and A\$4.28 a share, in contrast to the A\$3.50 which Boral is proposing to pay.

Boral said later that it had not considered raising its offer and still believed that the offer was fair.

The South Australian state government retains a 32 per cent interest in Sagasco, having sold a 19.9 per cent stake to Boral at A\$3.40 a share. It said yesterday that no decision had been taken over its holding, but that it would seek to maximise its return.

"We will go for the best possible price that somebody will actually pay," commented the authorities.

TNT, the troubled transportation group, yesterday insisted that its plans for some form of capital-raising exercise had not yet been finalised.

The stock market has been awash with rumours of a A\$300m preference share issue, and the expectation that an issue was being finalised sent TNT shares up by four cents to A\$1.36 yesterday.

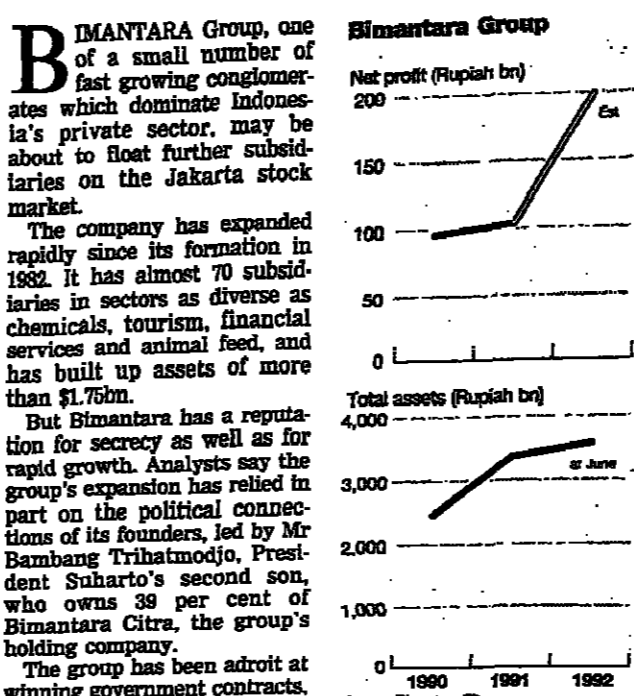
The issue is being lead managed by County NatWest and Macquarie Equities, and is expected to be presented to the TNT board later this week.

The R&B Bank of Western Australia plans to change its name to Bank of Western Australia and to reduce its staff by 12 per cent, or 400 people, Reuters reports.

The bank is owned by the Western Australian state government. Mr Warwick Kent, managing director, said the jobs would go as a result of an operations review, although no branches were expected to close.

Public ambitions of Bimantara

Indonesian group is poised for more flotations, says William Keeling



BIMANTARA Group, one of a small number of fast growing conglomerates which dominate Indonesia's private sector, may be about to float further subsidiaries on the Jakarta stock market.

The company has expanded rapidly since its formation in 1982. It has almost 70 subsidiaries in sectors as diverse as chemicals, tourism, financial services and animal feed, and has built up assets of more than \$1.75bn.

But Bimantara has a reputation for secrecy as well as for rapid growth. Analysts say the group's expansion has relied in part on the political connections of its founders, led by Mr Bambang Trihatmodjo, President Suharto's second son, who owns 39 per cent of Bimantara Citra, the group's holding company.

The group has been adroit at winning government contracts, often without open tender, and has been adopted as a local partner by many foreign companies undertaking large projects in Indonesia. Other shareholders include Mr Indra Rukmana (Mr Trihatmodjo's brother-in-law) who has a 39 per cent stake.

Important projects currently under way include a \$100m toxic waste processing plant in partnership with Waste Management International of the US; a \$350m proposal to own the country's next generation of communication satellites; a

rapidly, with net earnings moving up from Rp88bn (\$45m) in 1990 to an estimated Rp200bn for 1992.

Three subsidiaries account for 50 per cent of its earnings. They are Food Specialities, a dairy products joint-venture with Nestle; International Timber Corporation, a forestry and wood products company; and Japfa Comfeed, Indonesia's second largest animal feed producer, in which Bimantara has a 20 per cent stake.

Mr Ahmad Afidhal, Bimantara's corporate secretary, says that "in the next few years our chemical and property companies will make a lot of profits".

Oil company executives, however, estimate the Chandra Asri petrochemicals plant, due for completion by 1996, will require an ethylene price of more than \$500 a tonne to break even, compared with recent prices averaging below \$350 a tonne.

The company is elusive about which subsidiaries might be taken public, although candidates include its trans-Java gas pipeline operations, a five-star hotel in Bali and an aircraft leasing subsidiary.

Mr Afidhal says that only about six subsidiaries currently meet the Jakarta stock exchange's listing requirements, which include audited accounts recording an operating profit for more than two years.

Brokers argue Bimantara and other conglomerates close

to the current government are keen to complete the flotation before President Suharto, who has led the country for over 25 years, leaves office.

By turning subsidiaries public and attracting foreign shareholders, conglomerates will have a measure of protection against a political backlash under a future government, says one observer.

Analysts question how attractive its subsidiaries will be to foreign investors. When the group took its Plaza Indonesia hotel and shopping mall subsidiary public last year, it preferred to place the shares almost entirely with Indonesian state pension funds.

Brokers say the shares, which have seen almost no trade, are among the stock market's most expensive on a price-to-earnings ratio.

Some of its subsidiaries, however, enjoy monopoly trading rights and have attracted criticism. The World Bank in a recent report described Bimantara's monopoly on citrus fruit trade in West Kalimantan granted in 1991, as "hurting" farmers and less well-off customers. Unemployment and labour migration have increased.

Mr Afidhal says that "competition is part of our life". But he adds: "For a new company we would like protection from the government just to make sure our investment does all right."

Group turns in 14% profits rise

By Simon Davies

JARDINE Matheson Holdings, the diversified Hong Kong trading and investment company, yesterday reported improved first-half profits and announced a sharp rise in the interim dividend.

Net profit for the first half of 1993 rose by 14 per cent to US\$173.8m, up from US\$151.8m a year earlier. The interim dividend is going up to 6.8 cents a share from 3.7 cents.

Turnover - up 6 per cent to US\$4.04bn - grew more slowly, reflecting adverse conditions for the trading and distribution business in Japan, and slower car sales in Hong Kong.

The wholly-owned Jardine Pacific unit, which includes engineering, car sales, and restaurant businesses, recorded a 9 per cent growth to US\$80.3m, in spite of a halving of profits from its trading and distribution business.

Jardine Fleming, the joint-venture securities house owned with Robert Fleming, announced strong figures due to buoyant Asian stock markets. Profits jumped 81 per cent to US\$77.1m, and the company's fund management business reported a 33 per cent increase in funds under management to US\$13.3bn.

Of the group's other listed operations, Dairy Farm and

Hong Kong Land both reported steady earnings growth, while Mandarin Oriental's profits were flat.

Mr Henry Keswick, chairman, warned of the continuing effects of the economic slowdown in Japan. He added that China's austerity measures would have an adverse impact on business in the current six months.

However, he stressed that the group continued to benefit from strong financial markets in the Asia-Pacific region.

"Our diversified businesses and financial strength should enable us to achieve satisfactory earnings growth for the full year," Mr Keswick said.

Telecom stake sold for NZ\$592m

By Terry Hall in Wellington

FOUR leading New Zealand businessmen - Sir Michael Fay, Mr David Richwhite, Mr Alan Gibbs and Mr Trevor Farmer - yesterday sold 155m shares in Telecom Corporation for NZ\$592m (US\$213.4m).

They had been granted options to buy a 10 per cent stake in the company by Bell

Atlantic and Ameritech when the two US telephone companies acquired Telecom in 1989 for NZ\$4.25bn.

Yesterday the four men, acting through their private investment companies, exercised the options, paying the US companies NZ\$1.82 a share. The shares were immediately sold for NZ\$3.82.

Sir Michael and Mr Rich-

white's private company, Midavia Holdings, sold 87.5m shares. Freightways' subsidiary, Rontas, controlled by Mr Gibbs and Mr Farmer, sold 67.5m shares.

This reduced Bell Atlantic and Ameritech's shareholdings to under 49.9 per cent, the level they had agreed when they bought the company from the New Zealand government.



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Interest Rate 5 1/4% per annum
Interest Period 22nd September 1993 to 22nd March 1994
Interest Amount per U.S. \$100,000 Note due 22nd March 1994 U.S. \$263.96
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INTERNATIONAL CAPITAL MARKETS

Russian upheaval may trigger selling in Europe

By Corrie Middlemarch
in London and Patrick
Harvey in New York

NEWS of political upheaval in Russia came as Europe's bond markets were closing and had little impact on cash prices. However, it pressured futures prices in after-hours trading and could spark further selling today.

Moreover, the dollar surged against most European currencies.

GOVERNMENT BONDS

cies, reasserting its safe-haven status. "This [Russian crisis] may cause a little nervousness by US and Japanese investors who have been the big players in Europe," said Mr Mark Capleton, international bond strategist with Barclays de Zoete Wedd. "But it is unlikely to be material," he added.

■ GERMAN bonds ended about 1/2 point lower, with the news from Russia erasing the bond future's late gains. The December contract closed at 93.82, down by 0.15

of a point from Monday.

Although Germany's latest monetary data showed much weaker-than-expected money supply growth, the release had little impact on prices. German money grew at 7.2 per cent in August, whereas economists' forecasts centred on a growth rate of around 7.9 per cent.

However, after encouraging remarks last week from Bundesbank president Mr Helmut Schlesinger, the market had discounted a lower figure and largely ignored the numbers.

Meanwhile, the Bundesbank set fixed-rate repos at 7.60 per cent, the same rate as last week, for today's allocation. This disappointed some dealers who had hoped for a return to variable-rate repos.

■ DUTCH bonds were given a small lift by the government's announcement that it has completed its funding programme for this year, though they ended lower on the day in line with bonds.

The yield gap between the German 10-year benchmark and its lower yielding Dutch counterpart widened to 17 basis points from 14 on Monday.

FT FIXED INTEREST INDICES

	Sep 21	Sep 20	Sep 17	Sep 16	Sep 15	Year
Govt Securities	101.28	101.31	101.51	101.23	101.48	102.88
Fixed Income	102.56	102.57	102.85	102.67	102.85	104.07

Source: 1992 Government Securities 10/10/92 Fixed Income Index
For 1993, Government Securities high above 100/100, low 48.10 (1/1/93)
Fixed Income high above 100/100, low 48.10 (1/1/93)

GILT EDGED ACTIVITY

	Sep 20	Sep 17	Sep 16	Sep 15	Sep 14
Gilt Edged	101.31	101.31	101.31	101.31	101.31

Source: 1992 Government Securities 10/10/92 Fixed Income Index

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BENCHMARK GOVERNMENT BONDS

	Coupon	Yield	Price	Change	Yield	Week	Month
AUSTRIA	6.000	6.000	119.5377	-0.004	6.78	6.72	6.84
BELGIUM	6.000	6.000	111.9000	-0.420	7.21	7.11	7.11
CANADA	7.500	7.500	103.2380	-0.110	7.05	6.94	6.98
DENMARK	6.000	6.000	108.1000	-0.250	6.82	6.79	6.72
FRANCE	6.750	6.750	100.3889	-0.175	5.86	5.85	5.78
GERMANY	6.500	6.500	103.2150	-0.175	6.05	6.14	6.22
ITALY	6.000	6.000	102.0000	-0.355	6.84	6.45	6.37
JAPAN	4.000	4.000	103.2770	-0.033	5.45	5.45	5.37
NETHERLANDS	7.000	7.000	107.3800	-0.080	5.84	5.81	5.78
SPAIN	10.500	10.500	110.8000	-0.500	9.21	9.07	9.40
UK GILTS	7.250	7.250	103.08	-0.123	6.41	6.33	6.38
US TREASURY	6.750	6.750	108.10	-0.522	7.04	6.98	6.98
ECU (French Govt)	8.000	8.000	103.2000	-0.400	6.84	6.80	6.85

Source: 1992 Government Securities 10/10/92 Fixed Income Index

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COMPANY NEWS: UK

Warning that the climb out of recession will be long and slow

Personnel helps Hays rise 20%

By Andrew Bolger

HAYS, the business services group, reported a 20 per cent increase in annual profits, but warned that "the climb out of recession looks as if it will be long and slow."

Mr Ronnie Frost, executive chairman, said many Hays businesses had seen trading conditions improve over the last few months, but the experience had not been universal.

He added: "The recent turmoil within the ERM and the consequential effective devaluation of a number of European currencies, will make it harder for the UK to continue its improving economic performance."

Pre-tax profits rose from £55.6m to £66.6m in the year to June 30, on sales which grew from £380m to £477m.

Hays said both its distribu-

tion and commercial businesses had continued their steady growth. The personnel division increased profits by 40 per cent, as activity in the recruitment market increased during the second half, especially for temporary placements of accountancy and technical staff.

Although personnel operating profits jumped from £4.8m to £6.7m, they still only accounted for 10 per cent of the total.

Distribution increased operating profits by 13 per cent to £32m.

Profits from Hays Network Distribution, which provides multi-user warehousing mainly for the drinks industry, were well down. The group said management had been changed and the business had been set on the road to recovery.

Hays Chemical Distribution's

profits were flat, with a drop in margins from bulk chemicals being offset by growth in packaged products.

Hays Fril, the French distribution company which the group bought for £37.5m in June last year, performed ahead of expectations. Together with Mordhorst, the German distributor, of which Hays bought control for an initial £32m in July, Mr Frost said he now had the basis of a pan-European distribution business.

Profits from the commercial, or office support, businesses rose by 16 per cent to £24.2m. Britdoc, which sends letters and documents, won many new customers, including four clearing banks.

Earnings per share rose by 15 per cent to 11.5p (10p). The interim dividend was increased by 15 per cent from 4.6p to 5.3p.

COMMENT

Hays shares rose 5p to 255p on the strength of these figures, which were at the top end of the analysts' range. Mr Frost remains as ebullient as ever about the medium to long-term growth outlook but clearly does not want to inflate expectations. The group had problems in bulk chemicals, but has moved swiftly to sort out the network distribution to bonded warehouses. The personnel business is at last benefiting from recovery and Britdoc continues to shine on the commercial side. Forecasts of 254m put the shares on a prospective multiple of 18.2. That 20 per cent premium to the market does not look unjustified for a company which should be able to grow earnings by more than 20 per cent, and claims to have management capable of doubling the size of the business.

JIB calls for £19.9m to fund expansion

By David Blackwell

JIB GROUP, the international insurance broker ultimately owned by Jardine Matheson, yesterday announced a rights issue and the planned acquisition of Nicolls Pointing, a London based wholesale and reinsurance group.

It is raising £19.9m net by offering 13.8m shares at 150p apiece on a 1-for-8 basis. Yesterday the shares fell 7p to 169p.

Jardine Matheson, whose subsidiaries own 62.5 per cent of JIB, is committed to subscribe for its entitlement of 8.64m shares. The remainder will be underwritten by Robert Fleming and brokers are Cazenove.

Consideration for Nicolls Pointing, which specialises in the energy and marine insurance sectors and in reinsurance business, is an initial £16.5m, comprising £6.75m cash, 2.53m ordinary shares valued at £4.4m, and £4.4m of convertible loan notes.

A further consideration of up to £3.2m will be paid in shares and loan notes if Nicolls Pointing's profits after tax exceed £1.65m for 1993 up to a level of £2m. Last year Nicolls Pointing reported pre-tax profits of £1.99m on turnover of £5.7m.

Mr Nick Cosh, JIB finance director, said the acquisition, the biggest since the group floated in November 1991, would significantly increase its presence in the wholesale market. He predicted further efficiencies, leading to enhanced earnings for JIB.

The rights issue will finance the cash element of the proposed acquisition. It will also be used to refinance several smaller acquisitions made in the last two years at a total cost of £15m, of which £4m was deferred.

Dawson cuts jobs in Scotland

Dawson International, the textile group which manufactures in the UK and the US, is to cut jobs in Scotland and close a plant in Philadelphia in the US. The cuts will cost £2.5m and are aimed at reducing the group's cost base in the face of weak trading conditions.

Jobs are to go at plants in Hawick and Kinross in Scotland.

Tesco disappoints with modest 3.4% interim rise

By Neil Buckley

TESCO made waves in the retail industry yesterday with its comments on pricing and the threat from discounters, but disappointed the markets with an increase in pre-tax profits of only 3.4 per cent.

Interim profits for the 24 weeks to August 14 were £361.5m (£252.8m). That included a £3.7m loss on the sale of properties but was well below analysts' forecasts of between £268m and £275m. Total sales increased 9.5 per cent to £3.99bn. The shares fell 4p to 211p yesterday.

Tesco said its gross margin had declined by about 0.1 percentage points during the period, and was currently about 0.2 points down on last year - the first decline for about eight years. The operating margin was unchanged at 6.9 per cent.

Sir Ian MacLaurin, chairman, said Tesco's decision to sharpen prices was bearing fruit in terms of increased sales, and the seven new stores opened in the first half were among the most successful the company had opened. They were already outperforming the Tesco average of weekly sales of £16 per square foot, and contributed 8.4 percentage points of the overall sales increase.

Like-for-like sales, which exclude the contribution from new stores, increased 2.1 per



Sir Ian MacLaurin: sales were currently 10% ahead of last year

cent. Although all of the increase was accounted for by inflation, that represents an improvement on last year, when like-for-like sales fell 0.9 per cent after inflation.

Sir Ian said sales were currently 10 per cent ahead of last year. Like-for-like sales were up 3 per cent, with inflation about 2 per cent.

Mr David Reid, finance director, refused to speculate on future margin movements but said Tesco's commitment to competing on price did not necessarily mean lower operating margins. There was still considerable scope for cutting operating costs through sales-based ordering and better stock control.

Tesco also said it was reducing the average cost of new

CrestaCare hit by property losses

By Maggie Urry

CRESTACARE, the nursing home operator which appointed a new chief executive in March and raised £31.6m through a placing in July, reported a pre-tax loss of £1.38m in the half year to June 30, compared with a profit of £50,000.

However, Mr Andrew Tees, the chief executive, said that operating profits from the nursing home business had risen 39 per cent to £2.51m (£1.6m) on turnover up 26 per cent to £10.4m. The interim dividend is raised from 0.1p to 0.25p. The shares fell 5p to 37p.

The losses were caused by non-recurring debts of £2.67m, including £2.29m of losses, realised or anticipated, on sales of

non-core properties. These were valued at £9.43m in the end 1992 balance sheet. Most have been sold or were under contract for sale, and CrestaCare expected to find buyers for the remaining £500,000-worth over the next year.

The remaining £380,000 largely related to compensation for Mr John McAllister, the former chief executive, who had been on a three year rolling contract at £100,000 a year. Mr Brian O'Connor, who resigned as chairman in July, did not receive any compensation. Mr Tees has a three year fixed term contract at £150,000 a year.

By the end of the half year the group operated 1,625 beds (1,425) in 26 homes, with 20 owned by CrestaCare. With the placing proceeds, it bought eight homes

with 515 beds for £14.1m. These are expected to be re-registered by October 1 making a contribution in the final quarter. After that acquisition net debt was £5m, for gearing of 8 per cent.

Mr Graeme Hart, chairman, said the homes' occupancy rate was more than 92 per cent after a slowing of referrals when the new community care legislation came into force in April. This was lower than the group had planned. He said there was pressure on weekly fee rates and CrestaCare expected "no overall increase for the next 18 months".

Group turnover was £15.2m (£15.9m) and interest charges took £1.23m (£1.66m). There was a loss per share of 2p (nil). See People

Bodycote bolstered by metal division

By Maggie Urry

BETTER RESULTS from Bodycote International's metal technology division offset a downturn in its two other areas - workwear and industrial - leaving group pre-tax profits 1.8 per cent ahead at £5.52m in the first half of 1993. The shares fell 5p to 30p.

Mr Joe Dwek, chairman, reported an encouraging outlook for the metal technology

activities, now 74 per cent of group profits, and signs of recovery in its UK-based industrial activities. However, EHCO-KLM, which sells workwear and protective clothing mainly in Germany and Holland, was hit by the worsening recession there. Mr Dwek said it was cutting costs and attempting to increase market share.

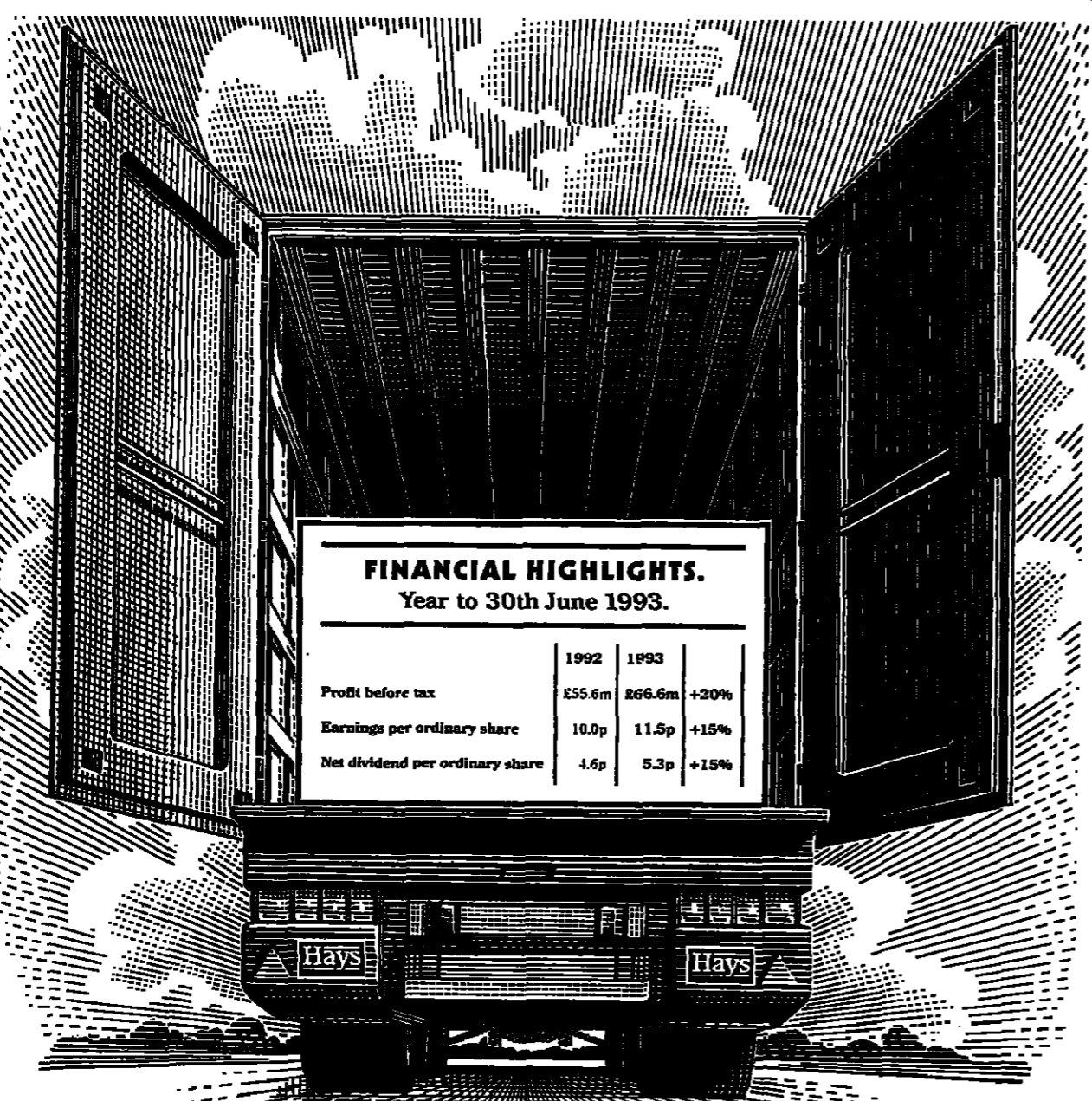
The interim dividend is up from 1.875p to 2p, and earnings

per share rose 5.6 per cent to 7.69p (7.27p) helped by a lower tax rate.

Group sales were 1 per cent higher at £37.7m, and interest charges took £142,000 (£102,000). Sales by the metal technology division rose 20.4 per cent to £21.2m, helped by the purchase of Industrial Materials Technology in March 1992. Pre-tax profits from the division, before central costs, rose 19.5 per cent to £5.15m.

EHCO-KLM's profits fell 37.7 per cent to £229,000 on sales 10.1 per cent lower at £12.7m, and the industrial division made profits of £1.15m, down 30.7 per cent on sales 32 per cent down at £3.77m.

Net current assets at June 30 showed a rise from £24.18m to £27.6m. Cash at hand and in the bank rose from £14.78m to £17.3m, while stocks increased from £11.22m to £12.27m over the 12 months.



ANOTHER OUTSTANDING DELIVERY.

Hays' strengthened management team is pleased to report further growth in trading figures this year.

European acquisitions make our Distribution core activity the new market leader with networks in Germany, France and the UK. Our Commercial activities continue to thrive with our business mail service, Britdoc, attracting ever more members. Cost savings within our Personnel operations are now paying off and as the economy improves signs of growth are unmistakable.

Hays

If you would be interested in a copy of the 1993 Annual Report please contact David Beckett, Hays plc, Hays House, Milmead, Guildford, Surrey GU2 5JH. Telephone 0463 302203. This advertisement has been approved by Touche Ross & Co. who are authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Bodycote	2	Dec 31	1.875	-	5
Brake Bros	2	Dec 31	1.85	-	6.2
Brixton Estate	2.825	Nov 15	2.76	-	8.35
BSG	0.71	Dec 31	0.7	-	3.2
CI Group	0.4	Jan 3	0.825	-	1
CrestaCare	0.25	Nov 1	0.1	-	0.5
Frogmore East	12.41	Nov 11	11.6	16	15
Glasgow Income	0.61	Nov 30	0.6	-	3.2
Hays	3.6	Nov 8	3.1	5.3	4.6
Henderson Highgate	1.4	Nov 8	1.4	-	5.6
Korea-Europe Fnd	1.5	Nov 18	0.6	1.5	0.6
Mayborn	1.8	Nov 5	1.6	-	5
MTL Instruments	1.7	Oct 26	1.8	-	3.6
Muskow (A&J)	3.14	Jan 4	3.103	6.103	5.925
Southern News	2.5	Nov 11	2.25	11.9	11.25
Taneco	3	Dec 20	3	-	5.5
Tesco	2.45	Nov 29	2.25	-	7.1
Wolfsheim Rink	6.91	Nov 12	6.5	-	17
Yule Carro	2.6	Nov 18	2.5	-	5.9

Dividends shown pence per share net except where otherwise stated. £1m increased capital. \$USM stock. †Third interim, making 1.8p (same) to date. ‡US cents.

Philip Harris warning

SHARES IN Philip Harris dived 50p to 154p as the pharmaceutical and scientific equipment supplier warned that profits in the current year would be unlikely to match last year's and that, in particular, this would be reflected in the results for the first six months to September 30.

The company said that shareholders had been "cautioned" by the board at the time of the preliminary results and the subsequent annual meeting.

Exports, which last year accounted for 30 per cent of the education and scientific side, were running more than 50 per

cent below 1992 levels because of deepening recession in continental Europe, the main export market. Expected substantial orders had been cancelled and no significant overseas contracts had been secured.

In the UK, recession had hit the market for sales of scientific equipment, especially that of a capital nature, to industrial customers.

The cost base in the education and scientific division had been reduced, with a redundancy programme for 9 per cent of the workforce here being implemented. This cost will hit the first half with the benefit being felt in the second.

Brixton Estate

International Investors in commercial property
INTERIM REPORT 1993

	Six months to 30th June	Year
	1993	1992
	£m	£m
Net Rental Income	28.40	24.95
Profit before Tax	12.98	12.57
Earnings per share	5.99p	5.64p

- 13.8% increase in net rental income.
- 3.3% increase in profit before tax.
- 6.2% increase in earnings per share.
- Interim Dividend 2.825p per share - up 2.4%

Brixton Estate

A copy of the full interim Report, which has been sent to all shareholders, may be obtained from The Secretary, 22-24 By Place, London EC4N 8QT.

FOR REGULAR INTELLIGENCE ON THE INDUSTRY, THE SOURCE IS

MOBILE COMMUNICATIONS

Mobile Communications is the definitive source of regular information on the sector for the busy executive and analyst. It provides both timely reporting and authoritative analysis for the professional 23 times each year, and is only available on subscription from the Financial Times.

INTERNATIONAL COVERAGE

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FINANCIAL TIMES

NEWSLETTERS

125 JEREMY STREET, LONDON SW1Y 4JZ

TEL: 071 411 4414 FAX: 071 411 4415

COMPANY NEWS: UK

WIGGINS GROUP p.l.c.

(Incorporated and registered in England under the Companies Act 1948/1980 No. 397916)

Capital Reorganisation
Acquisition of development properties
Placing of 280,000,000 new Ordinary shares
and
a Rights Issue of up to 63,548,108 new Ordinary shares

SHARE CAPITAL

following the Capital Reorganisation, Placing and the Rights Issue

Authorised		Issued and now being issued fully paid	
£	Number	£	Number
8,000,000	8,000,000	4,462,022	4,462,022
1,270,962	127,096,216	1,270,962	127,096,216

No application for listing will be made for the deferred shares.

Wiggins Group p.l.c. is a developer of commercial and industrial projects and a house-builder specialising in the development of residential communities.

Copies of the listing particulars relating to the Company may be obtained during normal office hours up to and including 7th October, 1993 from:

Charlton Seal
 a division of Wise Speke Limited
 8 King Street
 Manchester M60 2EP

R.A. Coleman (International) Limited
 48 Albemarle Street
 London
 W1X 3FE

and at the registered office of the Company, which is at 36 Beaufort Court, Admirals Way, South Quay, London, E14 9XL, and by collection only, for 48 hours from the date of this notice, from the Company Announcements Office at the London Stock Exchange, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London, EC2N 1HP.

This advertisement is issued in accordance with the regulations of the London Stock Exchange. It does not constitute an invitation to the public to subscribe for, or purchase, any shares. Allen has announced on 21 September 1993 a Placing and 1 for 5 Open Offer of 4,442,346 New Ordinary Shares. The Directors of the Company are also seeking admission to the Official List, by way of an introduction, of the enlarged issued share capital. It is expected that admission to the Official List will become effective and that dealings will commence on 10 October 1993.

Allen Plc

(Incorporated in England and registered in England under the Companies Act 1985 Registered No. 927680)

Placing and Open Offer
and
Introduction to the Official List
arranged by
Barclays de Zotte Wedd Limited
Share Capital

After the Placing and Open Offer, the authorised and issued share capital of the Company is as follows:

Authorised	Issued and now being issued fully paid
£1,400,000.00	£1,312,704.40
Ordinary Shares of 5p each	

Allen is the holding company of a group engaged in housebuilding, plant hire and sales, building contracting and property development and investments.

Copies of the Listing Particulars may be obtained during normal business hours, up to and including 24 September 1993, by collection only, from The Company Announcements Office, the London Stock Exchange, London Stock Exchange Tower, Capel Court entrance, off Bartholomew Lane, London EC2N 1HP, and up to and including 13 October 1993 (excluding Saturdays and Bank Holidays) from:

Allen Plc
 Holly Street
 New Springs, Wigan
 Lancashire WN2 1DL

Barclays de Zotte Wedd Limited
 50 Fountains Street
 Manchester M2 2AS

de Zotte & Bevan
 Elbgate House
 2 Swan Lane
 London EC4R 3TS

22 September 1993

MUCKLOW
Results 1992/93

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* Pre-Tax Profit	£9.67m	(£10.91m)
* Property Portfolio valued at	£206.83m	(£204.56m)
* "Conditions now improving" - Albert J. Mucklow, Chairman		

A & J MUCKLOW GROUP plc
Haden Cross, Cradley Heath, Warley, West Midlands B64 7JB

The Annual Report and Accounts will be circulated to shareholders on 14th October 1993.

Tarmac PLC

Notice to the holders of

£107,500,000

9% per cent. Convertible Capital
Bonds 2006
 ("the Bonds")

Tarmac Finance (Jersey) Limited

Adjustment to Exchange Price

Pursuant to Clause 7(C) of the Trust Deed dated 4th April, 1991 (as amended) constituting the Bonds (the "Trust Deed"), notice is hereby given as follows:

On 21st September, 1993 Tarmac PLC announced an issue of 103,482,000 new Ordinary Shares of 50p each in the capital of Tarmac PLC by way of rights to ordinary shareholders on the register at the close of business on 10th September, 1993 at a price of 120p per share on the basis of 1 new Ordinary Share for every 4 Ordinary Shares then held.

The Exchange Price (as defined in the Articles of Association of Tarmac Finance (Jersey) Limited (the "Articles")) applicable to any conversion and exchange of Bonds is, with effect from the date of this notice, adjusted (in accordance with the Articles and the Trust Deed) from 206p to 284p.

Copies of the circular sent to ordinary shareholders detailing the terms of the rights issue are available from the Company Secretary at the address below:

Hilton Hall
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22nd September, 1993

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0101 212 752 4500Yule Catto in
£30m rights to
fund purchase

By Richard Gourlay

YULE CATTO, the industrial chemicals group, is to raise £28.7m through the first rights issue in its history to buy 50 per cent of a German synthetic rubber latex company and to reduce debt.

It is paying £18.2m for the purchase of the stake in Synthomer Chemie from Chemetall, ultimately owned by Metallgesellschaft, after a one-for-six rights issue at 215p. The shares fell 18p to 209p on news of the rights and the group's interim results for the six months to June 30, which disclosed a pre-tax profit fall from £10.2m to £9.26m on sales up 12 per cent at £140.6m.

The deal will strengthen Yule Catto's links with Reichold Chemicals of the US, the subsidiary of Dainippon Ink of Japan. Reichold owns the other 50 per cent of Synthomer and is also the joint venture partner in Doverstrand, another latex joint venture with Yule Catto.

Mr Alex Walker, Yule Catto chief executive, said bringing the two joint ventures together under common ownership would open up opportunities to rationalise marketing, research and manufacturing and help create a pan-European

synthetic latex rubber business.

For the year ended September 30 1992 Synthomer made profits before exceptional items of £6.4m and profits before tax of £3.8m. Its net assets were £7.1m.

The rights issue would also reduce group gearing which at the end of the first half was 43 per cent on net debt slightly up on the same period last year at £20.7m.

Earnings per share fell from 7.5p to 6.5p but the interim dividend is lifted from 2.5p to 2.6p.

Mr Walker said the fall in profits mainly stemmed from the poor performance of the building products division in Holland, Belgium and France.

Yule Catto's largest shareholder, Kuala Lumpur Kepong, which owns 29.5 per cent, has irrevocably agreed to take up its rights. The balance is underwritten by Morgan Grenfell.

Lord Catto, chairman, said the bringing of Synthomer and Doverstrand under common ownership would strengthen the international business.

"Doverstrand has enjoyed a long standing technical and commercial relationship with Synthomer through its common shareholder, Reichold Chemicals," he said.

Allen seeks £5m
and full listing

By Peter Pearce

ALLEN, the Wigan-based housebuilding, hire services and contracting group, is raising about £5m after expenses by a placing and open offer of 4.44m shares. It is also seeking to move up from the USM to a listing.

Of the proceeds £2.5m will be spent on expanding the number of land bank sites from the current 29 to about 35. The company said it only bought land if a suitable return could be expected. The approach had resulted in not having to make provisions against its land bank throughout the recession.

A further £2m will be spent on hire services. It is negotiating to acquire a six-outlet small tool hire chain for about £1m and plans to spend about £30,000 apiece on its existing outlets.

In contracting, the group is

in talks to acquire a Midlands-based contractor for about £400,000.

The directors have forecast that pre-tax profits for the six months to September 30 would be not less than £1.2m (£855,000), that earnings would be at least 3.6p (2.5p) per share and that the interim dividend would be maintained at 1.65p.

The shares are being placed at 119p per share and shareholders can apply on a 1-for-5 basis. The issue has been underwritten by Barclays de Zotte Wedd and the brokers are de Zotte & Bevan. The shares closed down 2p at 130p.

Mr Ken Fox, deputy managing director, said that the move up from the USM to the senior market would change and raise the profile of the group, widen its institutional shareholder base, and offer more opportunities for raising further funds, if necessary.

Lower interest helps
Mayborn advance 14%

By Gary Evans

MAYBORN GROUP, the fabric dyes, baby products and florists' sundries concern, made further steady progress in the first half of 1993 and helped by a sharp fall in interest charges, pre-tax profits rose by 14 per cent to £1.9m, against £1.66m.

Turnover of the USM-quoted group edged up 3 per cent to £17.5m. However, on a more comparable basis - after adjusting for the effect of recent transfers of Dylon operations (fabric dyes) in France and the US to independent distributors - the increase was 5 per cent.

At the operating level, profits grew 4 per cent to £1.33m before interest charges of £34,000 (£195,000). Earnings per share rose to 6.4p (5.8p) and an increased interim dividend of 1.8p (1.6p) has been declared.

Mr Ian Peacock, chairman, said trading in the second half was expected to show more satisfactory growth. The baby products side in particular, would benefit from significant Christmas gift orders already received and confirmed.

Rainbow Acrylics - an importer and distributor of melamine and acrylic children's tableware products acquired in July - was unlikely to have a material impact on this year's results.

Net borrowings at the half year were £241,000 (£224m) giving gearing of 9 per cent (36 per cent). This was higher than the year end figure of £194,000, but Mr Peacock said it represented more normal seasonal trading fluctuations and "we have every reason to expect another healthy cash position at the end of December 1993."

Aer Lingus faces a wing-clipping

By Tim Coone in Dublin, Andrew Hill and David Marsh

TALKS between management and unions at Aer Lingus, the troubled Irish state airline, arrive at a crucial juncture this Friday, when a deadline for the acceptance of 1,280 proposed voluntary redundancies is reached.

In Brussels, officials say the EC is likely to ask the airline for more information before it decides whether to support a request for a £175m capital injection from the Irish government. The EC is due to make a preliminary ruling by early next month whether planned state aid for Aer Lingus and three other EC airlines breaches competition rules.

To date, only about 300 acceptances are believed to have been notified to management from the airline's 6,500 workforce, raising the spectre of compulsory redundancies which the airline's trade unions have pledged to fight.

Significantly, senior figures within the Labour Party, the junior partners in the coalition government, have also said they will not support compulsory redundancies, threatening a dangerous split in the coalition and a possible government crisis in the weeks ahead.

The redundancies are being sought as part of a rescue plan drawn up earlier this year by Aer Lingus management to cut operating costs by 10 per cent, or some £50m annually, to staunch losses which are currently running at £1.2m a week. At March 31 this year Aer Lingus had accumulated net debt of £540m.

When Mr Bernie Cahill, the executive chairman, unveiled the rescue plan last June he said that "urgent and drastic action is needed" if the airline was to survive. The urgency of that message was heightened by a threat from the banks to shut the financial taps to the company if a rescue plan was not in place by late summer.

Management and unions then agreed over the summer to a complex three-phase consultation and arbitration procedure, through Ireland's Labour Relations Commission. That procedure faces a deadline of October 31, and to date very little progress has been achieved according to sources close to the negotiations.

The banks apparently have accepted to await the outcome of the arbitration procedure before taking action themselves, but according to a company source, practically all of the airline's committed credit lines from the banks will have expired by then. Thus if the rescue plan is still in dispute at that time, the banks would technically be in a position to call in a receiver.

The government's £175m equity injection is conditional both on EC approval and on acceptance of Mr Cahill's rescue plan by the workforce. If the plan is approved, the first instalment of £50m would be disbursed in December.

The EC Commission's policy on state aid for airlines is being challenged by British Midland. Aer Lingus's main rival on the Dublin-London route.

Sir Michael Bishop, the British Midland chairman, said that Aer Lingus's financial problems were partly caused by exaggeratedly low Dublin-London fares. Pointing out that the Irish airline - although roughly the same size as British Midland - employed 8,000 people compared with his own company's 2,500. "They (Aer Lingus) are knocking up staggering losses," Sir Michael said, adding that a decision by the EC Commission to block the request for £175m aid would be "progress".

But he said the EC also had to crack down on state aid for Belgium's Sabena, Spain's Iberia Airlines and Air Portugal. "If they [loss-making airlines] know they are not going to get any more injections of state aid, then they will have to put their businesses in order in the same way as everyone else has done."

Ivernia lead/zinc study
nearing completion

By Peter Franklin

IVERNIA West, the Irish minerals exploration company, yesterday announced a reduced loss for the year of £460,000 (£433,000), down from £1.48m, and confirmed its belief that the Lishkeen joint venture, in which it has a 47.5 per cent interest, was the largest lead/zinc discovery in Europe for decades.

Feasibility and environmental studies at Lishkeen are nearing completion and will shortly be presented to the joint venture, the directors said.

Following this, the joint venture would lodge a full planning application.

Minoro, a 24.5 per cent shareholder in Ivernia and Ivernia's intended 50 per cent partner in the project, has made loans of some \$3m (£1.9m) available to the company along with sums to cover land acquisition costs.

Progress on the project has been baulked by difficulties arising from Chevron's decision to dispose of its 52.5 per cent interest in Lishkeen.

Chevron had agreed to sell its interest to Ivernia, and had accepted a \$5m deposit. However, completion of the sale has been delayed by a challenge in the Dublin High Court by Lac Minerals.

Ivernia also announced that agreement had been reached for the disposal of its Famous Blue gold A plant and equipment for \$51.2m (£50,000) in cash and shares.

All of Ivernia's remaining Australian assets have been acquired by Leader Resources, in which Ivernia has a 20.5 per cent interest.

MTL falls to
£2m despite
pound's fall

Pre-tax profits of MTL Instruments, the USM-quoted maker of electronic measuring devices, fell by £1.15m to £2.1m in the half year to end-June. The comparative, originally reported as £2.2m, was restated to comply with FRS3.

Turnover, however, rose by 15 per cent from £9.2m to £10.7m. The improvement, the directors said, reflected strong recovery in the US and continued growth in Europe.

The weaker pound had benefited both sales and profits, they added.

Earnings per share were 7.4p (11.6p) and the interim dividend is 1.7p (1.6p).

Mr Ian Hutcheon has stepped down as chief executive but remains as chairman. He is succeeded by Mr Barrie Marsden, who was formerly a non-executive director.

Exceptional
leaves Comac
at £60,000

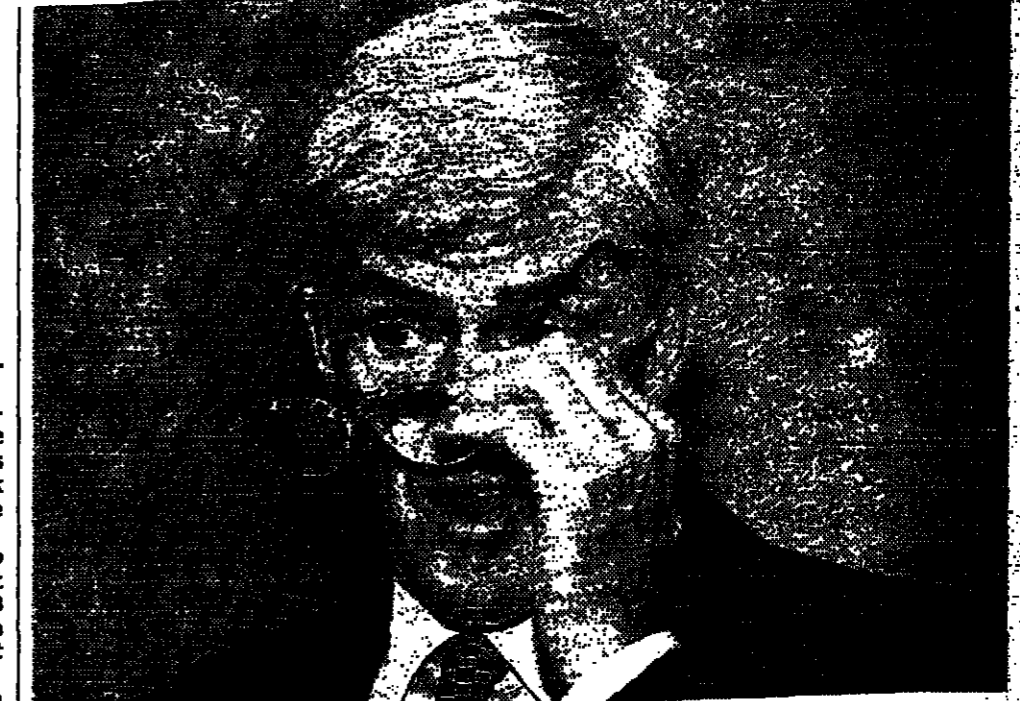
Comac Group, the USM-quoted computer consultant, reported pre-tax profits of £60,000, against £24,000, for the half year ended June 30.

These were the first results since Mr Philip Swinstead, the founder and former chief executive of SD Sicon, took a controlling interest and installed a new management. The profit was after an exceptional charge of £120,000 (£50,000) relating to directors' termination costs and German payroll taxes for earlier years.

Mr Bernard Friend, the new chairman, said that UK margins remained under pressure and business abroad fell significantly in the six months.

However, there were the first signs of an upturn following policy changes by the new management.

Turnover was £5.3m, compared with £4.91m. Earnings per share were up from 0.44p to 0.65p.



Lord Parkinson: confirmed the possibility of legal action against the company

Starmin shareholders back
Abdullah reappointment

By Catherine Milton

SHAREHOLDERS of Starmin, the loss-making quarry products company chaired by Lord Parkinson, the former Conservative cabinet minister, yesterday backed the reappointment of a director who is considering taking legal action against the company.

Mr Raschid Abdullah, who speaks for about 30 per cent of the shares, retained a non-executive seat on the board after his position came up for confirmation at the meeting, it being his turn to retire by rotation.

Mr Abdullah, and his brother Osman, resigned as executive

directors in July, a month before the company rescinded its dividend and announced 1992 pre-tax losses had been understated by £3.8m, deepening them to £11.9m.

The adjustment followed a review of accounting policies which focused on profits booked on asset swaps.

Lord Parkinson, whose job attracts an annual salary of £25,000, confirmed the possibility of legal action against the company by either or both of the brothers, who had run Starmin since 1989.

During yesterday's meeting which lasted just 18 minutes, Lord Parkinson said, in

response to shareholders' queries, that Mr Raschid Abdullah, his family and allied interests "do speak for nearly 30 per cent of shareholders and they feel that it is right that 30 per cent should be represented on the board."

He said the board, which abstained in the vote, believed it would not be in the interests of the company or shareholders for him to comment further because of the possibility of legal action.

Mr Raschid Abdullah refused to comment and is understood to have reached no firm decision on legal action.

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North American, Desk Diary	USDL	£ 40.00	£ 45.57	£ 43.51		
North American, Pocket Diary	USDP	£ 14.82	£ 14.88	£ 12.97		
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LONDON SHARE SERVICE

AMERICANS

Company	Price	Change	1993	1992	1991	1990	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534	1533	1532	1531	1530	1529	1528	1527	1526	1525	1524	1523	1522	1521	1520	1519	1518	1517	1516	1515	1514	1513	1512	1511	1510	1509	1508	1507	1506	1505	1504	1503	1502	1501	1500	1499	1498	1497	1496	1495	1494	1493	1492	1491	1490	1489	1488	1487	1486	1485	1484	1483	1482	1481	1480	1479	1478	1477	1476	1475	1474	1473	1472	1471	1470	1469	1468	1467	1466	1465	1464	1463	1462	1461	1460	1459	1458	1457	1456	1455	1454	1453	1452	1451	1450	1449	1448	1447	1446	1445	1444	1443	1442	1441	1440	1439	1438	1437	1436	1435	1434	1433	1432	1431	1430	1429	1428	1427	1426	1425	1424	1423	1422	1421	1420	1419	1418	1417	1416	1415	1414	1413	1412	1411	1410	1409	1408	1407	1406	1405	1404	1403	1402	1401	1400	1399	1398	1397	1396	1395	1394	1393	1392	1391	1390	1389	1388	1387	1386	1385	1384	1383	1382	1381	1380	1379	1378	1377	1376	1375	1374	1373	1372	1371	1370	1369	1368	1367	1366	1365	1364	1363	1362	1361	1360	1359	1358	1357	1356	1355	1354	1353	1352	1351	1350	1349	1348	1347	1346	1345	1344	1343	1342	1341	1340	1339	1338	1337	1336	1335	1334	1333	1332	1331	1330	1329	1328	1327	1326	1325	1324	1323	1322	1321	1320	1319	1318	1317	1316	1315	1314	1313	1312	1311	1310	1309	1308	1307	1306	1305	1304	1303	1302	1301	1300	1299	1298	1297	1296	1295	1294	1293	1292	1291	1290	1289	1288	1287	1286	1285	1284	1283	1282	1281	1280	1279	1278	1277	1276	1275	1274	1273	1272	1271	1270	1269	1268	1267	1266	1265	1264	1263	1262	1261	1260	1259	1258	1257	1256	1255	1254	1253	1252	1251	1250	1249	1248	1247	1246	1245	1244	1243	1242	1241	1240	1239	1238	1237	1236	1235	1234	1233	1232	1231	1230	1229	1228	1227	1226	1225	1224	1223	1222	1221	1220	1219	1218	1217	1216	1215	1214	1213	1212	1211	1210	1209	1208	1207	1206	1205	1204	1203	1202	1201	1200	1199	1198	1197	1196	1195	1194	1193	1192	1191	1190	1189	1188	1187	1186	1185	1184	1183	1182	1181	1180	1179	1178	1177	1176	1175	1174	1173	1172	1171	1170	1169	1168	1167	1166	1165	1164	1163	1162	1161	1160	1159	1158	1157	1156	1155	1154	1153	1152	1151	1150	1149	1148	1147	1146	1145	1144	1143	1142	1141	1140	1139	1138	1137	1136	1135	1134	1133	1132	1131	1130	1129	1128	1127	1126	1125	1124	1123	1122	1121	1120	1119	1118	1117	1116	1115	1114	1113	1112	1111	1110	1109	1108	1107	1106	1105	1104	1103	1102	1101	1100	1099	1098	1097	1096	1095	1094	1093	1092	1091	1090	1089	1088	1087	1086	1085	1084	1083	1082	1081	1080	1079	1078	1077	1076	1075	1074	1073	1072	1071	1070	1069	1068	1067	1066	1065	1064	1063	1062	1061	1060	1059	1058	1057	1056	1055	1054	1053	1052	1051	1050	1049	1048	1047	1046	1045	1044	1043	1042	1041	1040	1039	1038	1037	1036	1035	1034	1033	1032	1031	1030	1029	1028	1027	1026	1025	1024	1023	1022	1021	1020	1019	1018	1017	1016	1015	1014	1013	1012	1011	1010	1009	1008	1007	1006	1005	1004	1003	1002	1001	1000	999	998	997	996	995	994	993	992	991	990	989	988	987	986	985	984	983	982	981	980	979	978	977	976	975	974	973	972	971	970	969	968	967	966	965	964	963	962	961	960	959	958	957	956	955	954	953	952	951	950	949	948	947	946	945	944	943	942	941	940	939	938	937	936	935	934	933	932	931	930	929	928	927	926	925	924	923	922	921	920	919	918	917	916	915	914	913	912	911	910	909	908	907	906	905	904	903	902	901	900	899	898	897	896	895	894	893	892	891	890	889	888	887	886	885	884	883	882	881	880	879	878	877	876	875	874	873	872	871	870	869	868	867	866	865	864	863	862	861	860	859	858	857	856	855	854	853	852	851	850	849	848	847	846	845	844	843	842	841	840	839	838	837	836	835	834	833	832	831	830	829	828	827	826	825	824	823	822	821	820	819	818	817	816	815	814	813	812	811	810	809	808	807	806	805	804	803	802	801	800	799	798	797	796	795	794	793	792	791	790	789	788	787	786	785	784	783	782	781	780	779	778	777	776	775	774	773	772	771	770	769	768	767	766	765	764	763	762	761	760	759	758	757	756	755	754	753	752	751	750	749	748	747	746	745	744	743	742	741	740	739	738	737	736	735	734	733	732	731	730	729	728	727	726	725	724	723	722	721	720	719	718	717	716	715	714	713	712	711	710	709	708	707	706	705	704	703	702	701	700	699	698	697	696	695	694	693	692	691	690	689	688	687	686	685	684	683	682	681	680	679	678	677	676	675	674	673	672	671	670	669	668	667	666	665	664	663	662	661	660	659	658	657	656	655	654	653	652	651	650	649	648	647	646	645	644	643	642	641	640	639	638	637	636	635	634	633	632	631	630	629	628	627	626	625	624	623	622	621	620	619	618	617	616	615	614	613	612	611	610	609	608	607	606	605	604	603	602	601	600	599	598	597	596	595	
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AUTHORISED UNIT TRUSTS

Ref	Comp	Yld	Other	+ or -	Yld
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Authorized Unit Trusts
of Lauro S.S.
HISTORIC PRICING: The letter H denotes that the managers will normally deal at the price set on the worst recent valuation. The prices shown are the latest available before publication and may not reflect the actual levels because of intervening corporate developments or a switch to a forward pricing basis. The managers commit deal at a forward price on request, and may intend to forward pricing at a later date.
FORWARD PRICING: The letter F denotes that the managers deal at the price to be met on the next valuation. Investors can be given the daily price in advance of the purchase or sale, being carried out. The prices appearing in this column are the most recent provided by the managers.
SCHEME PARTICULARS AND REPORTS: The most recent report and relevant particulars can be obtained free of charge upon demand.
 Other explanatory notes are contained in the last column of the list.
 77 Managed Funds Service.
 55 Life Assurance and Unit Trust
 Planning Department,
 100 New Oxford Street, London WC1A 1PS
 Tel: 071-279-9444.

[illegible][illegible][illegible]

INITIAL CHARGE: Charge made on sale of **HISTORIC PRICING:** The latter H charges

units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This amount is included in the price set on the most recent valuation. The

BID PRICE: Also called realization price. The price at which units are bought by investors. prices shown are the latest available before publication and may not be the current levels because of an intervening portfolio revelation or a switch to a forward pricing basis. The managers must deal at a forward price on renewal, and may return to forward

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a

formals laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation

TIME: The time shown alongside the fund manager's name is the time of the unit trust's

Order explanatory notes are contained in the last column of the FT Managed Funds Service.

Many company prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

Production	2001/02	8	101.97	105.91	97.03	-0.16	2.14
Production	2002/03	8	101.93	107.93	108.58	-0.26	2.31
Production	UK Growth	8	112.40	112.40	130.21	-0.19	12.90

[illegible][illegible]

FA UK Equity Inc.	5.4	193.20	193.20	174.31	10.75	3.54
FA Japan	5.4	367.22	367.22	326.61	40.61	11.91
FA Swiss UK Cos.	5.4	96.00	96.00	87.46	8.54	2.42
FA Swiss UK Cos.	5.4	261.92	261.92	244.62	17.30	4.63
FA Germany	5.4	271.18	271.18	237.72	33.46	9.28
SW Percent Points						
1 Rising House St. London W1A 3AG						
5 W Weymouth St.						
Smith & Williamson Unit Trd Mgrs						

UK Searle Co's	\$34	81.84	82.93	97.17	+6.29	S & W Control	287.3	288.5	283.3
UK Inland	\$34	70.86	72.12	83.28	+12.42	S & W Cash & Co	122.2	122.5	83.9
UK Inland	\$34	62.81	61.14	55.53	-6.67	S & W European	100.00	100.00	100.00
America	\$34	63.87	63.86	104.16	+40.29	S & W for Europe	117.5	121.3	128.0
Japan	\$34	62.81	62.78	66.66	+3.85	S & W Income	132.1	133.3	138.4
European	\$34	65.23	65.23	66.66	+1.43	S & W Growth	121.1	121.1	141.1
GM	\$34	82.06	80.82	70.07	-11.79				

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1000

0.80
0.99
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● 例題

1,480
10,780
1,480
1,480
1,480

43
74
38
28
14

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (671) 873 4378 for more details.

OTHER UK UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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Capital Trust Financial Management
8-10 Brook St. Coleridge Co. Londonderry 0283 68

BERMUDA (SIB RECOGNISED)

	Int'l Charge	Cont. Price	Std. Price	Other Price	+ or - %	Yr. Gr.
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GUERNSEY (REGULATED)⁽¹⁾**CANADA (SIB RECOGNISED)**

GUERNSEY (STB RECOGNISED)

IRELAND (SIB RECOGNISED)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(*)

JERSEY (SIB RECOGNISED)

IRELAND (REGULATED)(¹)

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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